

Influence Trails Affluence In Japan and West Germany

Tokyo Plays Reluctantly
On International Stage

By Patrick L. Smith
International Herald Tribune

TOKYO—As Japan advances toward a position of financial leadership among the industrial democracies, bankers, diplomats and market analysts are asking with increasing urgency whether the world's most affluent nation is genuinely prepared to meet the challenges of wealth by assuming new responsibilities in areas such as foreign aid, Third World debt and global currency management.

Mindful of the wide gap between Japan's unprecedented prosperity and its secondary place in international affairs since World War II, Tokyo policy planners have offered a steady stream of initiatives on such questions over the past several years, most recently at the annual meeting of the International Monetary Fund last week.

Many such efforts have won applause. Japan's commitment to resolving the Latin American debt crisis, which far outweighs the exposure of Japanese banks, represents an unselfish contribution to the U.S. deficit issue in that it will help reduce what has traditionally been the most important U.S. export market.

But the questions linger: Does Japan have the will and the ability to manage a foreign-aid program of the magnitude of the United States and Britain are demanding of it? Are its own financial markets open to a degree commensurate with its leadership role?

In essence, these are different dimensions of the same underlying issue: With the locus of financial power shifting across the Pacific, as it crossed the Atlantic earlier in this century, Japan has yet to match this power by reinterpreting its interests and redefining its responsibilities.

Although there is a broad political aspect to the debate, economic issues remain at the fore. As it has in areas ranging from defense to commercial fishing, Japan has so far displayed a deep ambivalence toward a global financial role that will grow almost inevitably in coming years. While it has sought a greater voice in international issues, for instance, it has been reluctant to change circumstances at home viewed as threats to global financial stability.

Accordingly, opinions vary as to the pace of change in areas where Japan lags behind the position it already occupies in financial markets and official policy coordination. If most analysts acknowledge that a maturing process is under way, few question the need for allies to continue the prodding, cajoling and occasional threats that have contributed significantly to this process in recent years.

This observation, made often in a series of recent interviews, raises a more subtle question. Despite the often-voiced assertion that Tokyo must accept added responsibilities, how willing are Japan's allies to allow it to do more in a global context than write large checks in the world's hardest currencies?

"Japan is not ready to assume a leadership role. It's too obsessed with its own problems; it can't harmo-

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Bonn Hesitates to Raise
Voice Over EC Chorus

By Richard E. Smith
International Herald Tribune

FRANKFURT—West Germany, riding one of its headiest economic booms in two decades, remains curiously reluctant to wield the power it has achieved: It is the world's largest exporter, Europe's largest market economy, the chief paymaster of the European Community, the No. 1 lender to the East bloc and one of the biggest financiers of the U.S. deficit.

But in key areas, it seems to act instead as a mid-sized, regional power without a clear overriding vision or strategy.

In the Group of Seven industrial countries, its voice often melds anonymously with those of its European partners, despite their much smaller economies. In trade policy, its identity is steadily being assumed by the European Community. The Deutsche mark is an important reserve currency by default rather than design.

"There are severe limits to what West Germany can do, and this will probably be true for a long time," said Norbert Walter, chief economist of Deutsche Bank.

"This is the case for a number of reasons, notably the history of the Third Reich and the fact that we are located in the middle of Europe between similarly sized countries."

Since West Germany today is more an economic than a military or political power, economists and bankers say the country often has little choice but to play an accommodating role in international questions.

What West Germany instead can and must do, they claim, is move more quickly to open up its rich but often antiquated and highly regulated markets to greater participation by the rest of the world.

Recent reports by both the Organization for Economic Cooperation and Development and the International Monetary Fund have said this is the strongest contribution West Germany can make to the world economy at the moment.

Any survey of West Germany's international responsibilities must revolve heavily around its complicated relationship with the European Community. The economic might of West Germany and the community have for the past three decades evolved simultaneously and have steadily nourished each other.

"We are so closely linked that the European Community is already taking over agricultural trade and trade policy," said Hermann-Josef Duder, one of the chief economists of the Bundesbank.

Mr. Duder and other analysts said they saw a special role for West Germany in using its weight within the community to prevent the group from becoming a protectionist "Fortress Europe" as it works to launch its single market after 1992.

"This will be a special task for our government," said Peter Trapp, an economist at the Kiel Institute of World Economics. "West Germany should play a key role because open markets led to our prosperity after World War II."

At the same time, critics point out that West Ger-

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Aiding East: Will U.S. Lead?

By Craig R. Whitney
New York Times Service

BRUSSELS—Nearly 50 years after the Western democracies lost Eastern Europe to communism, they are beginning to see how they can help Poland and Hungary find a way back.

What they lack, diplomats here say, is an overall strategy for the effort, one that will probably require leadership from the United States.

After weeks of pressure from the U.S. Congress and the Western al-

lies, President George Bush signaled last week that he had come down on the side of doing more, though how much more was not clear.

Mr. Bush was more tentative when he visited Poland and Hungary during the summer, but now that

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a new Polish government led by Solidarity has promised to dismantle the communist centralized economy, he said the International Monetary Fund and the World Bank should provide money and advice.

"The United States intends to be out in front of this effort," Mr. Bush said at a joint meeting of the two bodies on Wednesday.

The industrial democracies as a whole appeared last week to have ended the debate about whether it was in their interest to encourage change in Eastern Europe, and they showed the first signs of willingness to provide at least some of what it will take: many billions of dollars.

The Western debate about Eastern Europe is easier to resolve than

the argument about what the West should or could do to help Mikhail S. Gorbachev change the Soviet system.

The West Europeans, led by the West Germans, have been arguing for months that the problems of Hungary and Poland are less intractable, and they have been waiting for the United States to declare forcefully where its interest lies.

But Poland's needs—emergency food shipments, credits, interest payments on its \$39 billion debt, renovation of obsolete industrial plants—are so enormous that Warsaw has hesitated to put a price tag on them, lest it scare off potential donors.

From what Polish officials said in Brussels and Washington last week, \$2.5 billion for next year alone sounds like a conservative estimate.

Hungary's needs are not so acute, but it has even more ambitious plans to wipe out the effects of 40 years of communist domination.

Outlining blueprints to do that

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Two East German children and their mother pausing for a snack Sunday after crossing to the West.

East Germany Yields, Letting 6,000 More Go

By Robert J. McCartney
Washington Post Service

BONN—More than 6,000 jubilant East Germans, most of whom had taken refuge in the West German Embassy in Prague, traveled to West Germany on Sunday, a day after an unprecedented agreement was reached allowing them to emigrate to the West.

But the accord, which led to the second major influx of East Germans in three weeks, apparently failed to achieve a permanent solution for the Prague mission.

About 300 more East Germans entered the embassy compound Sunday following the evacuation to press for the right to emigrate, and West German officials said it was unclear how the new situation would be resolved.

The East Berlin government chartered six special trains that carried about 5,500 East German refugees from Prague through East German territory to West Germany. Another train, which traveled from Poland to West Germany, carried 809 East Germans who had been occupying the West German Embassy in Warsaw.

After refusing for more than a month to compromise with West Germany over the fate of the persons occupying the West German embassies in the two East-bloc capitals, East Germany backed down Friday and agreed to let them go.

It did so principally to avoid letting the occupations spoil the atmosphere at ceremonies Oct. 7 marking the 40th anniversary of the founding of East Germany, and because of pressure from the Soviet Union. West German diplomats said,

that East Berlin's shift came so suddenly that Foreign Minister Hans-Dietrich Genscher was convinced that the East German chief of state, Erich Honecker, must have made the decision personally.

Mr. Genscher laid the groundwork for the deal in talks Wednesday and Thursday with his East German counterpart, Oskar Fischer, while they were attending the United Nations General Assembly meeting in New York.

The East German Foreign Ministry issued a statement Sunday saying that it allowed the exodus for humanitarian reasons because of "intolerable" conditions, including the risk of epidemic, created by overcrowding at the West German embassies.

The refugees were "betraying their homeland" and their loss should "not be mourned," the statement said. They had "trampled upon moral values" and "cut themselves off" from East German society, it said.

The refugees who reached West Germany on Sunday arrived in significantly higher numbers than expected. Several hundred East Germans got on the trains in Prague even though they had not been occupying the embassy and technically were not covered by the pact.

In addition, there were reports that some East Germans had jumped on moving trains while they were passing through East German territory en route to the border city of Hof, in West Germany.

The East Germans cheered and waved handkerchiefs at the throng of journalists and well-wishers who lined the tracks as the first of the

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Kremlin Official Warns of Civil War Over Enclave

By David Remnick
Washington Post Service

MOSCOW—A key Soviet official warned Sunday that the battle between Armenians and Azerbaijanis over the Nagorno-Karabakh Autonomous Region was in danger of becoming a genuine civil war.

"This will be a special task for our government," said Peter Trapp, an economist at the Kiel Institute of World Economics. "West Germany should play a key role because open markets led to our prosperity after World War II."

At the same time, critics point out that West Ger-

Previously, officials had spoken of about 100 deaths in the fighting over Nagorno-Karabakh, an Azerbaijani enclave with an ethnic Armenian majority.

Mr. Sidorov did not provide further details of the casualties in the region. But in an article in Argumenty i Fakty, a weekly published by the Communist Party, he said, "Not a day or night goes by without gunfire, explosions, mine blasts, arson and pogroms."

Mr. Sidorov said 300,000 Armenians and Azerbaijanis had become refugees since the conflict began, fleeing across the borders of their neighboring republics.

"What is now a 'cold war' between two socialist republics is ready to become a civil war," he said.

The article in Argumenty i Fakty was probably the most blunt published so far in the central press on the danger of the conflict in the Caucasus. With a readership of more than 20 million, the weekly has the largest circulation of any Soviet publication.

Despite the presence of thousands of Interior Ministry troops in Azerbaijan, Armenia and Nagorno-Karabakh, incidents of violence have continued, especially in the disputed enclave. And although President Mikhail S. Gorbachev has issued repeated warnings about the need for order and an immediate compromise, this is one region where Moscow appears to have let matters spin out of control.

Azerbaijanis, led by a new Popular Front group in the capital, Baku, organized a monthlong gen-

eral strike, in effect cutting off supply lines for gasoline, medicine and food supplies for Armenia and Nagorno-Karabakh for most of September. The strike appeared to slow down last week when Mr. Gorbachev warned of "concrete measures"—a phrase widely interpreted as a threat to call in troops to force the strikers back to work—if a compromise was not reached.

"Neither side in this conflict can pretend to be wearing white," Mr. Sidorov said. "How will bloodshed ever bring peace? In neither Armenia nor Azerbaijan does anyone want to think about this."

According to Mr. Sidorov, even intellectuals and Soviet legislators on opposing sides have failed to make any moves toward reconciliation. He criticized both sides, but seemed to put most of the blame

for the conflict on the government of Azerbaijan.

Mr. Sidorov also expressed a degree of sympathy for the Karabakh Committee, an unofficial Armenian movement demanding that the region be placed under Armenian administration. The committee's leaders were jailed for several months before being released in early summer.

Until Mr. Gorbachev sent the Kremlin commission to the region this year, Nagorno-Karabakh had been under Azerbaijani administration despite the fact that Armenians account for 70 percent of its population.

The fury on both sides has increased since February 1988, when 32 Armenians were killed in the industrial town of Sumgait, near Baku.

Reassessment Takes Glow Out of Soviet Arms Offer

By R. Jeffrey Smith
Washington Post Service

WASHINGTON—Top U.S. and Soviet officials emerged from talks in Wyoming last weekend with news of an arms-control breakthrough, Moscow, they said, had cleared away a long-standing obstacle to a new strategic arms accord by "de-linking" a bitter dispute over space weapons.

A week later, however, many U.S. officials say the Soviet proposal may create as many problems as it solves.

Debates have erupted within the Bush administration and on Capitol Hill over whether the Soviet proposal is in fact new, whether it holds the promise of a lasting arms agreement and whether it can speed the demise of the Strategic Defense Initiative research program, already under attack by legislative budget-cutters.

The Soviet proposal seems certain to force President George Bush to confront for the first time the ramifications of President Ronald Reagan's spirited pursuit of a

space-based defense against ballistic missiles.

Although Mr. Bush has been silent about the Soviet "de-linking" proposal, a senior adviser, speaking on condition that he not be identified, said that the administration would soon order an internal review of all of previous positions on SDI.

"We don't know what we may or may not do," the official said. He explained that the new Soviet position, in addition to touching on SDI, also impinged on the issue of

U.S. adherence to the 1972 Anti-Ballistic Missile Treaty and the task of winning Senate approval for a new strategic arms accord.

Despite the reassuring gloss both sides put on the Wyoming talks between Secretary of State James A. Baker 3d and Foreign Minister Eduard A. Shevardnadze of the Soviet Union, the private U.S. response remains mixed.

Some State Department officials characterize the Soviet offer as a significant concession that must be taken seriously, but some Pentagon

officials assert that it is not really new and contains unacceptable provisions.

The four main elements of the Soviet proposal, made in a letter from the Soviet leader, Mikhail S. Gorbachev, to Mr. Bush and elaborated on by Mr. Shevardnadze, are:

• Withdrawal of a Soviet demand that both sides adhere to the ABM Treaty, thus barring realistic testing and deployment of a missile defense, for at least 10 years.

• A renewed demand that the

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In Heart of Stalin's Darkness

Siberian Labor Camp Fills In a 'Blank Spot' in History

By Michael Dobbs
Washington Post Service

MARBLE GULAG, U.S.S.R.—Stark granite mountains surround this Stalin-era labor camp, forming a natural prison more awesome than anything man could possibly invent. In winter, the temperature drops to 60 degrees below zero.

Visiting this desolate Siberian prison, it is difficult to conceive of anyone's trying to escape. The only natural exit—down the mountain valley to the nearest village, about 55 kilometers (35 miles) away—is blocked by guardhouses and machine-gun posts.

And yet, according to Soviet secret police documents, 83 prisoners did try to escape during the years 1949 to 1951 when the camp was in operation. Most tried to scramble up the almost vertical rock face. No one got away.

Part of a huge network of Stalinist labor camps stretching across Siberia, the Marble Gulag symbolizes a totalitarian economic and political system that

continues to mold the lives of ordinary Soviet citizens in significant ways, more than 35 years after Stalin's death.

The "gulag" takes its name from the Russian acronym for Stalin's prison system.

Until a few months ago, the existence of the Marble Gulag was a closely guarded secret. It was here, in the taiga, or forests, of eastern Siberia, that uranium was mined to produce the first Soviet atomic bombs. The Soviet Union's rise to superpower status rested on the merciless exploitation of tens of thousands of slave laborers.

Today, the Marble Gulag is being turned into a museum commemorating the victims of Stalinism. It had never before been accessible to Western journalists; now the decision to let Westerners visit marked a further step in the drive of President Mikhail S. Gorbachev to shed light on the "blank spots" of Soviet history, especially the quarter-century of Stalin's rule from the late 1920s to 1953.

Soviet and Western historians

estimate that up to 50 million people were "repressed" by Stalin. The worst bloodletting took place before World War II with the destruction of the kulaks, or peasants viewed as excessively prosperous, and the "Great Terror" of 1937. But several million people were sent to camps after the war, including many Soviet soldiers captured by the Nazis.

Even today, the Marble Gulag is difficult to reach. From the nearest village, Chara, it takes a four-wheel drive vehicle three hours along forest trails that meander into a rocky river bed. Then there is a two-hour hike up to the camp itself.

Above the tree line, the luxuriant taiga becomes suddenly barren. The play of light on the mountain sometimes gives the granite rocks a marble hue, explaining the name of the camp. The mountains form a gigantic sound box, mixing the moans of the wind with the gurgling of running water.

A line of unused electricity pylons leads past a row of single-

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The Marble Gulag, the secret Stalin-era labor camp where prisoners were forced to mine uranium in the Soviet race for the bomb.

Kiosk

Afrikaners See ANC in London

LONDON (Reuters)—Representatives of the African National Congress, a secretive South African organization that has close ties to the governing Nationalist Party, met with officials of the African National Congress in London on Sunday, the Foreign Office said.

The Johannesburg Sunday Times said the Broderbond delegation included President Frederick W. de Klerk's brother, Wimpe.

MONDAY Q&A



Alfred Herrhausen, the head of West Germany's largest bank, predicts a rise in interest rates. Page 2.

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Security was tight as China celebrated 40 years under communism. Page 5.

Business/Finance

Central-bank intervention has pushed the dollar lower, but it may not be enough to keep it down. Page 7.

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Deutsche Bank Chairman Forecasts a Rise in Interest Rates

Alfred Herrhausen is chairman of Deutsche Bank AG, West Germany's largest bank. He talked to *Reginald Dale*, economics correspondent for the *International Herald Tribune*, in Washington last week during the annual meeting of the International Monetary Fund and World Bank.

Q. There has been much speculation that West German interest rates will soon be raised. Do you think so?

A. Yes. I expect the Bundesbank to raise interest rates again at the next meeting of its council on Thursday. I would not be surprised by a half-point increase. [The discount rate is currently 5 percent.]

Q. The Group of Seven countries seem to have concluded that the dollar is overvalued. What about the Deutsche mark? Should it be revalued in the European Monetary System?

A. I wouldn't say the Deutsche mark is undervalued. It is still a strong currency. The French would be against a revaluation. So are others, and I don't see the necessity for one. I think we can live with the currency rates that we have. You can

never exclude that a realignment will be necessary, perhaps in 1990. But I do not foresee it in 1989.

Q. The international debt problem was a major topic at the annual meeting. What should commercial banks be doing about it?

A. In general, the banks should offer debt relief to any country with an economic program approved by the IMF and World Bank, in three phases.

First, debt service reduction through reduced interest rates and margins. Second, reduction of the debt itself if necessary, always subject to strict conditions. Third, we should extend maturities to up to 25 or 30 years, with grace periods of five to ten years, subject to negotiation. But the first test should be the willingness of the debtor countries to apply the right economic policies.

We should not throw good money after bad. We are dealing with a solvency problem, not a liquidity problem as we first thought in 1982 when the debt crisis

broke out. I have never seen a solvency problem solved by increasing debt.

Q. Is the U.S. Brady Plan a help?

A. It's the right step forward. It points out that in a solvency crisis there has to be a reduction of debt, not an increase. What we've always done since 1982 is to increase it. There is more debt now than there was then, and we have paid our own interest on it by giving them the money they needed to service the debt. That is not a solution to the problem.

The right solution would be to combine debt reduction under the Brady initiative with the earlier Baker Plan, which stressed that the debtor countries have got to be brought back on a growth path to restructure their economies. It is very difficult to ask the commercial banks to forgive part of their claims and at the same time provide new money for debtor countries that are calling for debt and debt service reduction.

What they need is money — from public sources — not new debt. We were blamed for providing so much money in the 1970s. We will continue financing imports and exports. But we cannot turn

the world upside down and become the lenders of last resort.

Q. Aid for Poland was also a hot issue in the talks here. What should the West be doing?

A. A bank for Polish Reconstruction should be established in Warsaw, similar to the West German institution that handled postwar aid to Germany under the Marshall Plan. It would receive, administer, structure and monitor the funds for Poland provided by Western governments and financial institutions.

Q. How much public money will be needed?

A. Just for the sake of comparison, we in Germany received \$1.7 billion under the Marshall Plan in the early 1950s. So in today's terms an amount of \$10 billion would be appropriate. But I don't know if it would be sufficient. We still have about \$1 billion of Marshall Plan money in our economy. It was one basis of the German economic miracle.

Q. So you think there could be a Polish economic miracle?

A. That's what we are waiting for. Help for Poland should be a mainly European effort. We are happy to see the United States do its utmost. But Europeans have to step in more than Americans in this particular case, especially West Germany.

It's an opportunity to give back what we got in the Marshall Plan, by helping others. But West Germany should not go it alone. We have to be very cautious in German relations with Poland for historical reasons. That's why we would like to bind the aid into a European strategy.

Q. What can the commercial banks do for Poland while government help is being organized?

A. That's very difficult, because all we have done in the past has not led to convincing results. We have poured money into Poland, rescheduled its debts several times and the problems are still unsolved.

Money should first come from public sources, through rescheduling of official debts and contributions from the IMF and World Bank. But the commercial banks could play a role in drawing up a new economic strategy for the country and keeping up short-term trade facilities.

Soviet Legislature Prepares to Define the P-Word: Property

By Bill Keller

New York Times Service

MOSCOW — The Soviet legislature is to discuss on Monday how to define the word "property" in the new constitution.

In a debate that promises to touch the most sensitive articles of communist faith and to set the outside limits of President Mikhail S. Gorbachev's move from a failing state monopoly to a regulated marketplace, the eager young parliament is to take up a law defining the basic notion of property.

Already the preliminary work has pushed legal wordsmiths to new flights of euphemism, as conservatives try to sound like progressives while preserving state control of industry and farming, and market-oriented economists strive to push the limits while evading the dreaded "P-words" — private property, which generations of Soviet communists have been raised to regard as the root of capitalist exploitation.

"This word still frightens some people," said Alexei N. Boiko, an economics professor from the University of Donetsk and a member of the legislature's Committee on Economic Reform, who said he saw limited private ownership as the key to economic revival.

Mr. Boiko has been entrusted by fellow market-oriented legislators with crafting the farthest-reaching proposal for the parliament.

His draft contains such delicate obfuscations as "personal property" (anything from a pair of shoes to an apartment), "individual property" (something used to earn a living, like a carpenter's tools or a musician's instrument), and "household means of production" (say, a private plot of farmland for family consumption).

The most elaborate invention in his version is "property for citizens' labor activity," which means private business on a small but commercial scale — a family-owned

farm, a grocery store or a shoe-repair shop, for example, any of which would be illegal today.

"If the parliament agrees to call it 'private,' they will have my gratitude," Mr. Boiko said.

Arcaise as it may seem to an outsider, the definition of property is a topic of great passion in the Soviet Union. For residents of the Baltics and other republics intent on wresting control of their own affairs from Moscow, the crucial question is whether public lands, natural resources and industry will continue to belong to the Soviet Union as a whole, or will revert to local ownership.

For would-be entrepreneurs and

family farmers, the law will determine whether small-scale private ventures with the right to own the premises and equipment they now must lease from local authorities.

For collapsing Soviet industry, it will establish guidelines for worker buyouts and stock-ownership schemes that might give employees an incentive to work harder.

More orthodox specialists argue that private ownership, by whatever name, violates the Marxist principle that all "means of production" belong to the society as a whole, and that private ownership invariably leads to exploitation.

The official government draft envisions little change in the status

quo. It would allow limited use of worker shareholding and family farming, but would prohibit overnight worker ownership and privately owned businesses.

Mr. Boiko's draft would give greater license to small-scale private commerce, worker ownership and stock markets, while prohibiting large-scale private capitalism.

The outcome may depend on Mr. Gorbachev, who has given mixed signals of his intentions. Mr. Boiko said he did not foresee Mr. Gorbachev hoisting the banner of private property. But if the idea is artfully named and carefully limited, he said, "I think he will be open to persuasion."

Lebanese Hold Talks On Arab Peace Plan

Reuters

TAIF, Saudi Arabia — Members of the Lebanese parliament staked out their positions Sunday on political revisions and a Syrian military withdrawal in preparation for a showdown on detailed peace proposals by Arab League mediators.

Foreign Minister Saad al Faisal of Saudi Arabia, who attended the first two days of the National Assembly session, held in Taif, said he hoped that the deputies would agree on some version of an Arab League-sponsored plan for national reconciliation to end 14 years of civil war in Lebanon.

The Lebanese deputies, split between Christians and Muslims, are holding what amounts to a constitutional conference, which could make or break Arab efforts to turn a cease-fire into a permanent political settlement. Their talks are expected to last at least a week.

The main issues in dispute are guarantees for the withdrawal of Syrian troops and proposed revisions to end the political dominance that the Christians have enjoyed since Lebanon became independent in 1943.

The Muslim deputies want a fixed timetable for the political changes, while the Christians give priority to a Syrian pullout.

Prince Saad, who helped draft the reconciliation plan as a member of a three-nation Arab mediation team, said, "We are optimistic that the first stages of the process have started out in the right direction."

The Arab plan suggests that Syrian troops pull back to the east of Lebanon two years after a stable government emerges in Beirut. Lebanon has had two rival governments since September 1985.

Violent Day In Occupied Territories

United Press International

JERUSALEM — Israeli soldiers shot and killed four Palestinians in violent confrontations early Sunday, and Arabs beat to death a suspected Palestinian collaborator, military sources said.

The occupied Gaza Strip remained a military closed zone for a second full day as a precaution during the two-day Jewish new-year holiday of Rosh Hashana. The closure order, intended to prevent violence in Israel, stopped Arabs from leaving the coastal strip but did not restrict the movements of Israelis living in Gaza.

A 17-year-old youth was shot to death amid clashes with troops at Gaza's Nuseirat refugee camp, Palestinian sources said.

In the West Bank, youths dropped cinderblocks from rooftops on soldiers patrolling in Nablus; the soldiers opened fire, killing another 17-year-old youth.

In the village of Arraba, a 16-year-old youth was shot to death during a clash between stone-throwers and troops. And a 32-year-old man was reported shot and killed during a clash in Aida refugee camp outside Bethlehem.

In the Gaza village of Bani Suheila, masked Palestinians beat to death a 26-year-old man suspected of cooperating with Israeli authorities, Palestinian sources reported.



Runcie Spurns Critics to Attend Papal Mass

Robert Runcie, the Archbishop of Canterbury, embracing Pope John Paul II during a Mass on Sunday in St. Peter's Square. Archbishop Runcie's visit to the Vatican has been criticized by some Anglican church members because of his remarks about the primacy of the pope. On Saturday, the archbishop appealed to the world's 70 million Anglicans to consider accepting some kind of papal primacy in a reunified church. The archbishop said, "We must never take our separation for granted. We should never allow our divisions to become tolerable, or worse still, comfortable."

Virgil Thomson, Composer, Dies at 92

By John Rockwell

New York Times Service

NEW YORK — Virgil Thomson, whose homespun yet subtly sophisticated musical compositions and witty, trenchant criticism made him a central figure in American intellectual life for more than 50 years, died Saturday in his suite at the Chelsea Hotel. He was 92 and had been in declining health for several months.

As a composer, Mr. Thomson was best known for two operas to texts written by his longtime friend Gertrude Stein: "Four Saints in Three Acts," of 1934, which earned him a distinction among intellectuals that he never relinquished, and "The Mother of Us All," written in 1947.

He also received a Pulitzer Prize, the only one ever awarded for a film score, for his music for "Louisiana Story" in 1948.

Mr. Thomson began sending music reports from Paris to the Boston Evening Transcript in 1921 and continued writing through the 1920s and '30s for such journals as *Modern Music*.

But the bulk of his journalism came as chief music critic of *The New York Herald Tribune* from 1940 to 1954.

His "State of Music," a lively but incisive overview of the musical scene, was published in 1939, and he continued his observations until very recently. His "Music With Words: A Composer's View," is scheduled for publication this month by Yale University Press.

Beyond his work Mr. Thomson was a magnetic force within the social world of American intellectuals, with his sharp tongue, twinkling eyes and owlish face and fig-



Virgil Thomson

ure. His dinner parties at the Chelsea Hotel were legendary. Leonard Bernstein died Saturday: "The death of Virgil T. is like the death of an American city; it is intolerable. But perhaps it was almost as hard to live with him as without him. Virgil was loving and harsh, generous and mordant, simple but cynical, son of the hymnal yet highly sophisticated."

Virgil Garnett Thomson was born in Kansas City, Missouri, on Nov. 25, 1896. By the time he finished high school, World War I had begun, and he enlisted in the National Guard.

The armistice was signed before he could be sent into action, however, and in 1919 he entered Harvard College.

In 1921, after a tour of Europe with the Harvard Glee Club, Mr. Thomson remained in Paris. He

chose to study organ and counterpoint with a young teacher named Nadia Boulanger, who subsequently taught several generations of American composers, from Aaron Copland to Philip Glass.

He also befriended Mr. Copland, Jean Cocteau, Darius Milhaud and Francis Poulenc, finding for the first time a circle of like-minded artists and intellectuals in which he felt fully at home.

Mr. Thomson's move to Paris also helped inaugurate a postwar shift in American musical allegiances toward France and its neoclassical ideals of lightness, clarity and humor.

It was in Paris in the mid-1920s that his mature style took shape, with the "Sonata da Chiesa," a chamber score; four organ pieces based on Baptist hymns, and the "Symphony on a Hymn Tune."

The key event of this period was his first meeting in 1926 with Miss Stein. They remained close until her death in 1946, except for a four-year estrangement in which they did not speak.

He had set her poem "Susie Asado" to music before their meeting and immediately afterward composed music for her "Frescoes" and "Capital Capitals." The two soon began work on the opera "Four Saints in Three Acts."

Still living in Paris, Mr. Thomson subsequently composed a body of instrumental works, especially for string instruments; underpinned a series of mostly piano "portraits" of friends that sought to capture their spirit in sound, a lifelong preoccupation, collaborated with the documentary filmmaker Pare Lorentz on two highly acclaimed films, "The Flow That Broke the

Plains" and "The River," and wrote "Filling Station" for Lincoln Kirstein's Ballet Caravan.

His musical style, now fully formed, owed much to Erik Satie and French neoclassicism, but it was original and was never bound by orthodoxies imposed by himself or others.

In the 1940s, with war engulfing Europe, he returned to the United States, moved into the Chelsea Hotel, where his grand apartment, awash with artistic memorabilia, became a cultural landmark, and assumed his critical post at *The New York Herald Tribune*.

After 1954, Mr. Thomson continued his composing and his criticism, mainly for the *New York Review of Books*, although his appearances as a conductor and lecturer were eventually limited by deafness.

Bishop John T. Walker, 64, Black Episcopal Leader

WASHINGTON (WP) — The Right Reverend John T. Walker, 64, the first black Episcopal bishop of Washington and a clergyman who was both a symbol and the driving force of racial reconciliation within his church, died of cardiac arrest Saturday at Georgetown University Hospital. He underwent triple bypass heart surgery Thursday.

WORLD BRIEFS

Honecker Surgery Set, Report Says

BONN (UPI) — Erich Honecker, the East German leader, will go to Switzerland for surgery, a West German newspaper said Sunday in a report attributed to western intelligence services. The report came amid speculation that he had cancer.

The newspaper, Welt am Sonntag, said Mr. Honecker would go to Switzerland immediately after celebrations Saturday to mark the 40th anniversary of East Germany's founding. The paper did not detail its assertion.

Mr. Honecker, 77, resumed his duties last week after a five-week absence from office, during which he underwent a gallbladder operation that security sources in Bonn said had been unsuccessful.

Aquino Would Obey Court on Marcos

MANILA (AP) — President Corason C. Aquino said Sunday that he would follow any Supreme Court order to allow the return of Ferdinand E. Marcos's body but that she was confident the justices would support her ban.

Meanwhile, about 1,000 Marcos supporters marched through Manila, and held a nighttime vigil in front of a military headquarters, trying to force Aquino to allow Mr. Marcos's body to be brought back from Hawaii for burial.

Mr. Marcos, who was the Philippine president for 20 years, died Thursday in Honolulu at 72. Mrs. Aquino has banned the return of the body on national security grounds, and has asked the U.S. Federal Aviation Administration to prevent any aircraft from violating her order.

Gorbachev to Visit Italy in November

MOSCOW (AP) — President Mikhail S. Gorbachev will visit Italy on Nov. 29-Dec. 1, the Soviet Union said Sunday.

A visit to Italy has long been included in the Soviet leader's plans for this year but a date had not been announced. His itinerary was not released. A Vatican spokesman earlier had raised the possibility of a meeting between Mr. Gorbachev and Pope John Paul II.

Vincennes-Related Case Shifts Focus

SAN DIEGO (AP) — A federal inquiry into the bombing of a ship driven by the wife of the skipper of guided missile cruiser Vincennes has shifted the suspected motive from terrorism to a possible personal vendetta, it was reported Sunday.

Investigators are concentrating on an individual who may have had a grudge against the captain of the ship, the Los Angeles Times reported, adding that international terrorism had not been ruled out as motive.

Authorities initially interpreted the bombing as terrorist retribution for the mistaken downing over the Gulf of an Iranian commercial jetliner by the Vincennes, commanded at the time by Captain Will Rogers 3d. His wife narrowly escaped injury when the jet was destroyed on March 10. All 290 people aboard the Iranian airliner died when it was shot down on July 3, 1988.

3 More Held in Huge U.S. Drug Bust

LOS ANGELES (AP) — Federal agents have made three more arrests in the world's largest cocaine seizure, bringing to six the number held in connection with the 20 tons found in a suburban warehouse, an official said.

Workers and business owners in the warehouse complex said they were suspicious about the establishment, called Adriana's Pottery Warehouse. Adriana's prosperous-looking operators claimed to be in the velvet painting business.

When authorities, acting on a tip, broke into the warehouse by knocking apart a \$6 padlock, they found 20 tons of cocaine, the largest seizure ever. Its value was estimated from \$2 billion to \$20 billion, depending on its final form for sale on the street.

For the Record

President Alan Garcia of Peru has named his foreign minister, Guillermo Larco Cox, to be prime minister. He replaces Luis Alberto Sanchez, who resigned Thursday to run for the Senate.

The U.S. Senate has confirmed President George Bush's nomination of William A. Brown to remain as ambassador to Israel.

An earthquake measuring 5.1 on the Richter scale struck western Iran on Sunday, causing landslides and damaging at least 300 houses, the Geophysics Center at Tehran University said.

The leader of the Palestine Liberation Organization, Yasser Arafat, arrived in Tokyo on Sunday. He is to meet with Prime Minister Toshiki Kaifu and other Japanese officials during his four-day stay.

TRAVEL UPDATE

Congo Stepping Up Airport Security

BRAZZAVILLE, Congo (AP) — The Congolese government is increasing security at the international airport in Brazzaville, the starting point of the Paris-bound flight of a French DC-10 that exploded over Niger, killing 171 people, officials said.

A government spokesman, Paul Ngatse, said that "short and medium-term" measures were being taken after the crash on Sept. 19 of a UTA passenger jet. He said they would affect customs officers and immigration officials as well as security staff.

A work-to-rule action by Italian customs men delayed international flights from Fiumicino International Airport in Rome by up to three hours on Saturday and closed the terminal's duty-free shop. (Reuters)

The Pompidou Center in Paris was closed indefinitely Saturday because of a strike by its cleaning services. A statement said the center, which houses the National Museum of Modern Art, was closing until further notice because it could no longer assure hygiene and safety.

A United Airlines jet arriving from Osaka had blowouts of 8 of its 18 tires when it landed Saturday in San Francisco, but none of the more than 300 people aboard was injured, officials said.

Japan had 137 million foreign visitors in the first six months of 1989, 260,000 more than the same period last year, officials said.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because national and religious holidays:

MONDAY: Barbados, Botswana, China, Guinea, India, Israel, Lesotho.

TUESDAY: Botswana, China, Honduras, Namibia, South Korea.

WEDNESDAY: Lesotho.

THURSDAY: Macao, Portugal.

FRIDAY: Egypt, Syria.

SATURDAY: East Germany, Soviet Union.

SUNDAY: Israel, Peru.

Source: Morgan Guaranty Trust Co., Reuters

WEATHER

EUROPE				ASIA			
	HIGH	LOW	WIND		HIGH	LOW	WIND
Amsterdam	10	7	W	Bangkok	28	25	W
Algiers	18	15	W	Beijing	15	12	W
Athens	18	15	W	Bombay	28	25	W
Berlin	15	12	W	Calcutta	28	25	W
Bombay	28	25	W	Chongqing	18	15	W
Buenos Aires	18	15	W	Guangzhou	28	25	W
Cairo	28	25	W	Hankow	18	15	W
Canton	28	25	W	Harbin	18	15	W
Cebu	28	25	W	Heilongjiang	18	15	W
Colon	28	25	W	Hong Kong	28	25	W
Dacca	28	25	W	Kobe	18	15	W
Dahomey	28	25	W	Manila	28	25	W
Dar es Salaam	28	25	W	Osaka	18	15	W
Delhi	28	25	W	Seoul	18	15	W
Dhaka	28	25	W	Taipei	18	15	W
Durban	28	25	W	Tokyo	18	15	W
Frankfurt	18	15	W				
Geneva	18	15	W	AFRICA			
Hamburg	18	15	W	Algeria	28	25	W
London	18	15	W	Cape Town	28	25	W
Lyon	18	15	W	Conakry	28	25	W
Moscow	18	15	W	Dakar	28	25	W
Nairobi	28	25	W	Harare	28	25	W
Paris	18	15	W	Johannesburg	28	25	W
Rangoon	28	25	W	Lima	28	25	W
Reykjavik	18	15	W	Managua	28	25	W
Rome	18	15	W	Medan	28	25	W
Sao Paulo	28	25	W	Montevideo	28	25	W
Shanghai	18	15	W	Nairobi	28	25	W
Stockholm	18	15	W	Rangoon	28	25	W
Taipei	18	15	W	San Francisco	28	25	W
Tientsin	18	15	W	Seattle	28	25	W
Yokohama	18	15	W	Singapore	28	25	W
MIDDLE EAST				LATIN AMERICA			
Athens	18	15	W	Buenos Aires	18	15	W
Bombay	28	25	W	Lima	28	25	W
Calcutta	28	25	W	Managua	28	25	W
Chongqing	18	15	W	Medan	28	25	W
Guangzhou	28	25	W	Montevideo	28	25	W
Hankow	18	15	W	Nairobi	28	25	W
Harbin	18	15	W	Rangoon	28	25	W
Heilongjiang	18	15	W	San Francisco	28	25	W
Hong Kong	28	25	W	Seattle	28	25	W
Kobe	18	15	W	Singapore	28	25	W
Manila	28	25	W				
Osaka	18	15	W	NORTH AMERICA			
Seoul	18	15	W	Albany	10	8	W
Taipei	18	15	W	Atlanta	18	15	W
Tokyo	18	15	W	Boston	10	8	W
				Chicago	16	14	W
				Cleveland	27	27	W
				Denver	27	27	W
				Detroit	27	27	W
				Houston	27	27	W
				Los Angeles	27	27	W
				Manassas	27	27	W
				Memphis	27	27	W
				Montreal	27	27	W
				New York	27	27	W
				Philadelphia	27	27	W
				San Francisco	27	27	W
				Seattle	27	27	W
				Singapore	27	27	W
				Taipei	27	27	W
				Tokyo	27	27	W
				Washington	27	27	W
				Yokohama	27	27	W

Virgin Islands: Hurricane Lawlessness Rooted in Resentment

By Michael York
Washington Post Service

CHRISTIANSTOWN, Virgin Islands — "Mom and Dad, still alive. Take the worst you've heard and double it. Please send 9mm 45 automatic. This is not a joke. Love, Mark."

Like hundreds of others, Mark reacted in fear in the aftermath of the recent hurricane that swept through here. His shakily penciled note and a stack of others were taken off the island of St. Croix by Patrick Ryan, a pilot.

Like a half-dozen other Caribbean islands, the three U.S. Virgin Islands, particularly St. Croix, took the full force of the winds of 140 miles per hour (225 kilometers per hour) Sept. 17-18. Unlike the others, St. Croix exploded with its own self-destructive force after the hurricane passed.

While reports of scattered looting and lawlessness came from St. Thomas, San Juan and Guadalupe, virtually everything worth stealing on St. Croix was gone in a



day. With one exception, all major grocery stores were sacked: at the remaining store, 10 armed members of the owner's family stayed atop the roof.

A senior police official said he could not reach most of his officers during the 24 hours after the eye of the hurricane struck about midnight. He said he saw several of the officers, members of the national guard and even a few current and

former legislators among looters in Christiansted.

Island authorities are starting to ask why. There are no easy answers.

The territory's Democratic governor, Alexander A. Farrelly, initially tried to play down reports of looting but later said the problem was too much for local law enforcement. Within days, President George Bush sent more than 1,200 U.S. marshals, FBI agents and military police to St. Croix to restore order. Most are still there.

Mr. Farrelly, whose term ends next year, said some of the thievery was done by people seeking food after the storm but added, "Some of it was definitely malicious."

The extent of damage to residences and the loss of electricity, telephone service and water may have combined to drive people to steal food out of self-preservation, said the commander of the military police sent here. Almost two weeks after the hurricane, basic utility service remained spotty.

Another factor, officials said,

may have been that almost a third of St. Croix's 52,400 residents live below the poverty level on an island of expensive hotels, duty-free shops and tourists spending money. About 70 percent of the population is black.

Yet another explanation, which officials have tried to minimize, involves the racial tension that has plagued the island for 20 years. A St. Croix lawyer, seeing the first patrols of U.S. military police on the island, said, "This is Fountain Valley all over again."

The reference was to the 1972 massacre of four tourists and four islanders by five men at a St. Croix resort. Seven of the eight victims were white; the five gunmen were black. Although the killings never were established as racially motivated, the ensuing national attention cast a pall.

The island is considerably larger and less crowded than St. Thomas but attracts only a fraction of the territory's tourist trade. Of the 1.8 million visitors in 1987, about 311,000 came to St. Croix.

There are inter-island tensions as

well. St. Croix is geographically isolated from St. John and St. Thomas, where the government is centered. It lies about 40 miles south of St. Thomas, and the only public link is by commuter airline.

Although St. Croix has proportionate representation in the 15-member territorial legislature and Mr. Farrelly is a St. Croix native, many of the island's residents said they feel that St. Croix has second-class status.

Ann Brittain, a psychology professor at the University of Miami who has studied the islands' social anthropology, said the lawlessness on St. Croix was virtually inevitable. "What surprises me is that it did not spread to St. Thomas," she said. Virgin Islands natives, she said, "have been made servants in their own houses," a permanent underclass that works for wealthy vacationers, most of whom are white.

She said the looting most likely stemmed from years of resentment by island residents who have seen a steady influx of affluent tourists.

"If you've ever been shopping for food or clothing there, you

know that the prices are exorbitantly high, and people who live there can't afford them," she said. "Jobs are difficult to find, especially professional and managerial jobs, because many of the companies bring in people from the states to run them."

Mr. Ryan, the pilot, said that he and several white friends spent the first few days after the hurricane close to his house. Once, when they drove into town, they were confronted by a car containing four armed Rastafarians, who are members of a Jamaican religious group.

"Essentially, they said we were white boys who needed a good beating," he said. "After it was clear that we had guns too, we were able to get away."

Other than the fatal shooting of an alleged looter, few reports of violence against people were made after the storm. Several dozen arrests were made for curfew violations, and five youths were charged with throwing rocks and bottles at U.S. military police. Looters generally did not move into residential areas after emptying the stores.

U.S. Official Scolded for 'Pap' Quote

By Ann Devroy
Washington Post Service

WASHINGTON — The White House has issued an unusual reprimand to one of its own, saying that William J. Bennett, the national drug policy director, was out of line when he described the proceedings at President George Bush's education meeting as "pap."

Aboard Air Force One, the press secretary, Marlin Fitzwater, said the White House chief of staff, John H. Sununu, told Mr. Bennett on Thursday: "Thanks for your comments. They weren't helpful."

Mr. Fitzwater said he thought that Mr. Bennett "has probably gotten the message."

Mr. Bennett, who was education secretary under President Ronald Reagan, was the chairman of one session at the meeting, which brought the nation's governors to Charlottesville, Virginia, last week for two days of discussions on improving education.

At a news conference, Mr. Bennett was asked to describe the closed session. "There was the standard Democratic pap and Republican pap," he said. "And something that rhymes with pap. Much of the discussion proceeded in a total absence of knowledge of what takes place in schools."

AMERICAN TOPICS

Cheney Pays Tribute To Lockheed Retiree

Now that William C. Park has retired after three decades of testing secret military aircraft for Lockheed Corp., Defense Secretary Dick Cheney has hailed his "immeasurable contribution to our national security," the Los Angeles Times reports.

Mr. Park worked first as a test pilot and then, after a 1978 bailout that put him in a cast for six months, as Lockheed's nonflying director of flying operations. In 1978, with his Stealth fighter prototype crippled and running out of fuel over the Nevada desert, he ejected. As the seat exploded out

of the aircraft, it thrust his head against the headrest and knocked him unconscious. His parachute opened, but his limp body struck hard against the desert floor, breaking his leg and cracking a vertebra.

That was Mr. Park's fourth and last bailout. "I smile a lot," he says, "because I am just happy to be here alive."

Short Takes

The facade of Butler Library at Columbia University, engraved for the last 55 years with the names of renowned male authors, was decorated during graduation ceremonies in May with a 140-foot (43-meter) banner listing such female writers as Emily Brontë, Emily Dickinson and Virginia Woolf. Women's rights activists unfurled the banner without permission; guards removed it, but university authorities have not only allowed the banner to be put back up but also sponsored an exhibition and a lecture series about it.

Blacks constitute 12 percent of the U.S. population, 20 percent of the armed forces as a whole, 28 percent of the U.S. Army and about 40 percent of the drill sergeants who train army's recruits, both black and white, the Los Angeles Times reports. Staff Sergeant John Campbell, 30, a black drill instructor, concedes that some of the whites "have to learn how to show respect," so "we convince them in the first two or three days that it's in their interest."

People who do not need their Social Security payments to live on are being asked to assign them to the United Jewish Appeal-Federation of Jewish Philanthropies of New York. Robert E. Linton, director of Drexel Burnham Lambert Group, the investment concern, developed the idea and volunteered to become the first contributor. He calls it "a new way of raising money for people who need it in a Robin Hood kind of way."

Notes About People

South Dakota's governor, George S. Mickelson, went unrecognized by one of his constituents, a Rapid City gas station cashier. She was incredulous at his license number — "1" — and asked for an explanation. Said the governor, poker-faced: "Just lucky, I guess."

Anna Quindlen, 37, has been named the second female columnist on the opinion-editorial page of The New York Times. A 12-year veteran reporter, editor and columnist at the newspaper, she will begin a weekly column on social and political concerns on Sunday, Jan. 7. Arthur Ochs Sulzberger, the publisher, announced. Flora Lewis, who writes on foreign affairs, has been the Times's only regular female Op-Ed page columnist.

Arthur Higbee

Crack Addiction Is Spreading Upward, U.S. Experts Say

By Andrew H. Malcolm
New York Times Service

NEW YORK — Crack cocaine, which has been rampant in inner-city neighborhoods in the United States, has begun to addict significant numbers of middle-class and upper-class Americans, experts say.

Bush administration drug officials and many law-enforcement experts have maintained that crack is predominantly an inner-city problem, and research has indicated that occasional use of drugs, including cocaine, is declining among the more affluent.

Poor urban neighborhoods clearly have the highest concentrations of crack users, the experts agree. What is new, in the view of doctors, counselors and crack users themselves, is the rapid growth of richer addicts.

The director of a New York treatment center, Dr. Arnold M. Washin, said that among his patients there were more white middle-class people than any other segment of the population, "despite all the poor black crack addicts you see on TV and Page One."

He added: "These new addicts are business executives and house painters and doctors, and recep-

tionists. And if you met them on the street or at the Little League game, you wouldn't have a clue they're smoking their brains out on crack back home in the basement."

National research analyzing crack addiction by income and race is just beginning. But reviews of academic research and scores of interviews in recent weeks show a consensus on these points:

• Perhaps because they have more to lose in terms of income, property and reputation, middle- and upper-class crack addicts are unusually secretive about their addiction. "They smoke it in tight

little cliques," said William Hopkins, director of street research for the New York State Division of Substance Abuse. "But there are oh-so-many of them. We see their suburban cars streaming through Harlem to make buys all the time."

• Also mostly hidden are the larger social costs of middle-class addiction, as families founder on the financial and emotional difficulties and insurance companies raise premiums to cover treatment costs. General Motors Corp. alone estimates that abuse of all drugs costs it more than \$1 billion annually for treatment and worker absenteeism; in the year before seek-

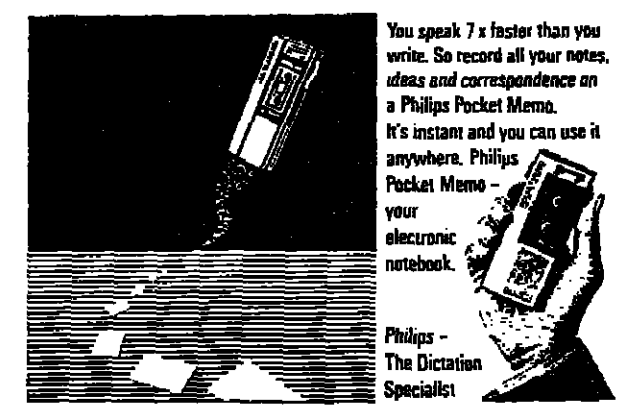
ing treatment the average GM employee addicted to drugs comes to work barely half the time.

• The background experience that cocaine and crack addicts have most in common is repeated use of marijuana.

• Cocaine use in all forms — snorted, injected or smoked — is greatest among white single men in metropolitan areas of the Northeast and the West.

Dr. Washin said 70 percent of the more than 200 patients he treats at the Washin Institute in New York City each year were middle-class addicts with good jobs.

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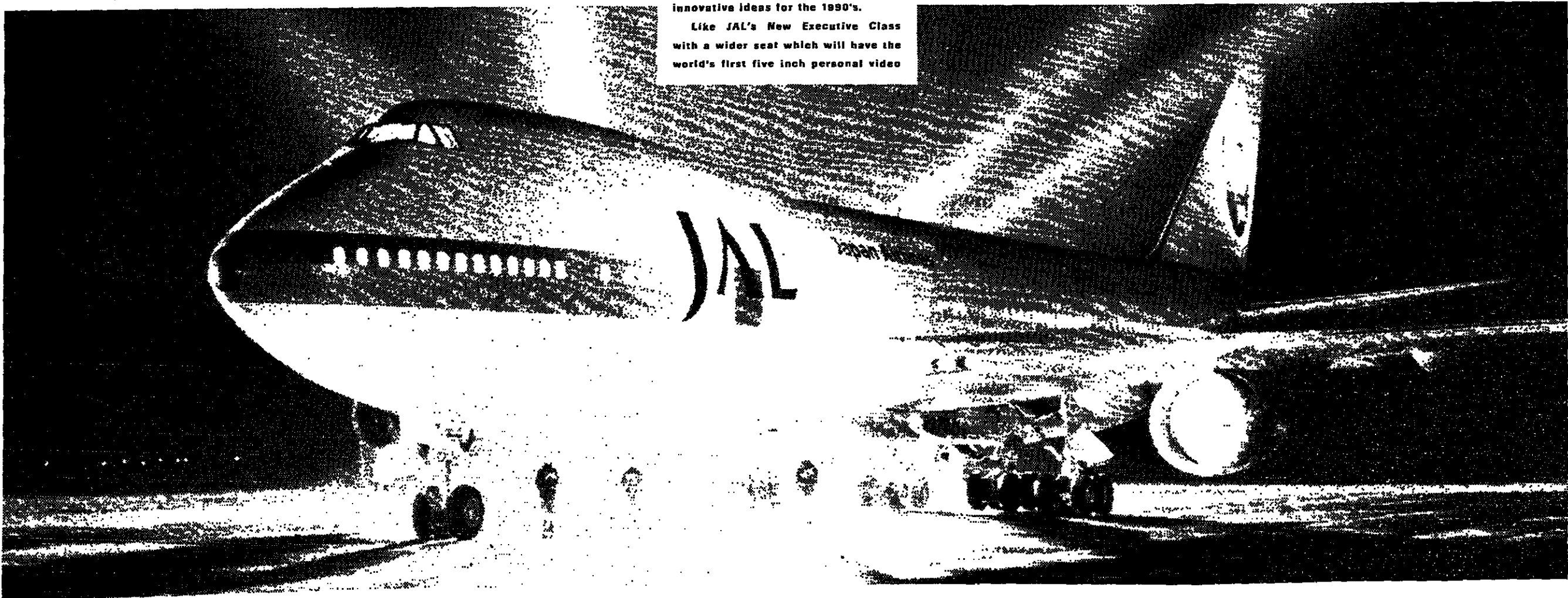
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A WORLD OF DIFFERENCE

Election Bolsters Kaifu

Governing Party Wins a Key Test

Compiled by Our Staff From Dispatches

TOKYO — Prime Minister Toshiki Kaifu's party won a crucial parliamentary by-election on Sunday, perhaps ensuring his own re-election as party chief and prime minister.

The victory in the upper house by-election in Ibaraki prefecture, north of Tokyo, may also increase Mr. Kaifu's influence with elders of the ruling Liberal Democratic Party over key political decisions.

Political analysts said the key political decisions included tax and political changes as well as when to dissolve the Diet, or parliament. General elections must be held before July 1990.

In the election on Sunday, an attorney and prefectural assembly member from the Liberal Democratic Party, Itsuo Nomura, received 467,643 votes, or 51 percent.

The Japan Socialist Party candidate, Shizuo Hosogane, got 394,123 votes, or 43 percent. A distant third was the Japanese Communist Party candidate, Satsuo Yamada, with 52,642 votes, or 5.7 percent.

The election was to fill the vacancy left by the death in August of the Liberal Democratic Party legislator, Niwa Iwakami.

"I heartily welcome this," Mr. Kaifu said on national television. "But I will not comment on how this would affect the political scene."

Mr. Kaifu, who is from a tiny faction within the ruling party, came to power on Aug. 9 as a compromise premier because most of the party elders were sidelined due to the influence-peddling scandal involving the Recruit Co.

With the victory, Mr. Kaifu is expected to be re-elected as the leader of the Liberal Democratic Party later in October. The post carries with it the office of prime minister by virtue of the Liberal Democrats' majority in the lower house.

Despite his weak party foothold, Mr. Kaifu has dismissed the conservative head of the party's tax research council and submitted a plan for electoral change that would lead to less demand for political funds.

But an Osaka University professor, Tadashi Iyama, said, "It's yet far from an ideal, strong position for Mr. Kaifu."

"To solidify his grab on power, he must win general elections," Mr. Iyama said.

Political analysts also said that the by-election victory was not enough to conclude that the electoral tide had turned completely for the ruling party.

"The result this time may have come from the Japanese voters' sense of balance," Mr. Iyama said. "They thought they gave the Liberal Democrats enough beating last time."

The Liberal Democrats suffered their worst election defeat in the elections on July 23, mainly because of an unpopular sales tax, the Recruit scandal and government moves to open farm trade to imports.

For the first time since its formation in 1955, the Liberal Democratic Party lost its majority in the upper house, the less powerful of the two parliament chambers.

The Japan Socialist Party, riding on the tide of its landslide victory in the upper house polls on July 23, refused to field a candidate endorsed by three of the other opposition parties and went ahead with its own, revealing cracks in talks over an opposition coalition.

The Japan Socialist Party, the Democratic Socialist Party, the Komeito party and the Social Democratic Federation have been squabbling over key policies and so far have been unable to proclaim a firm coalition. (Reuters, AP)



Prime Minister Li Peng joining in a toast with his foster mother, Deng Yingchao, at the festivities.

China's Leaders Mark Anniversary As Troops Keep Citizens Far Away

By Nicholas D. Kristof
New York Times Service

BEIJING — China celebrated its 40th anniversary of Communist Party rule on Sunday with colorful dances and fireworks along with such stiff security that Chinese civilians were not permitted within a mile of the birthday party on Tiananmen Square for "People's China."

The cacophony as nearly 50,000 fireworks burst in the air was strikingly reminiscent of the crackle of machine-gun fire on the same site on June 4, when troops massacred hundreds, and perhaps thousands, of protesters and crushed the democracy movement.

Largely because of international outrage, no foreign heads of state or heads of government came to China to join the celebration on Sunday. Even many ambassadors stayed away, among them the U.S. ambassador, James R. Lilley.

In Hong Kong, A Protest Greeted The Occasion

The Associated Press

HONG KONG — More than 3,000 people marked the 40th anniversary of Communist rule in China by joining in rallies Sunday to protest the military suppression of the spring pro-democracy movement in Beijing.

"Today's China is far from achieving the ideal of democracy, freedom, human rights and rule by law," Szeto Wah, a Hong Kong legislator, told the crowd, who braved stormy weather to gather in a park. "A republic ruled by the people has not yet been realized."

The three-hour rally, organized by the Hong Kong Alliance in Support of the Patriotic Democratic Movement of China, also included recitals of poems and essays in memory of those who died when pro-democracy demonstrators led by students were put down in Beijing on June 4.

In a related development, Britain and China ended three days of talks still divided over preparations for the transfer of Hong Kong's sovereignty in 1997.

The Chinese delegation said it disagreed seriously with Britain over how to restore confidence in Hong Kong and insisted it would station troops there after the colony reverted to its control. (Reuters, AP)

In the viewing stand on Tiananmen Square, where Mao Zedong on Oct. 1, 1949, declared the founding of the nation, China's elderly leadership gathered to watch the show, but from excerpts shown on television even they seemed unusually quiet and withdrawn.

The senior leader, Deng Xiaoping, who was making his first appearance in years, looked old and wan as he stared impassively at the fireworks.

"What happened in Beijing not long ago was bad," Mr. Deng told Li Jiong Qiang, North Korea's vice president, on the rostrum, "but in the final analysis it is beneficial to us, because it made us more sober-minded."

Mr. Deng's comment, prominently reported by the official press agency Xinhua, seemed intended as a revision of the remark last week by the Communist Party leader, Jiang Zemin, that the killings had not been a tragedy.

Mr. Deng's clarification was only the latest in months of mixed signals about China's attitudes and policies.

Although top leaders have repeatedly insisted that they will never retreat from the decade-old policy of change and openness, the dismissal of some of the leading advocates of restructuring and a new enthusiasm for harsh rhetoric about "class struggle" and "dictatorship of the proletariat" have made many Chinese and foreigners wonder whether such a change is in progress.

The authorities were apprehensive that dissidents, some of whom possess machine guns taken from soldiers in early June, would disrupt the festivities, and security was remarkably even by the standard of Beijing under martial law.

The Avenue of Eternal Peace, the main east-west thoroughfare, was blocked off by layer after layer of troops, police and workers who had been deputized with temporary identification cards.

Tens of thousands of troops and police officers seemed to be in the downtown area, many of them just out of sight in back alleys, and many of them were armed with machine guns.

No attack or embarrassment was known to have taken place, except the embarrassment of a shortage of guests on the rostrum.

The official list of foreigners who met Mr. Deng was meager. It included only such dignitaries as a Czechoslovak Politburo member, a senior Pakistani legislator, a Cuban Communist Party official and cabinet ministers from Ecuador and Mongolia. The only American was former Secretary of State Alexander M. Haig Jr., who is on a private visit.

All the top Chinese leaders were on the rostrum, including Chen Yun, 84, who had not been seen in public for nearly two years. Mr. Chen, who appeared briefly on television and did not look well, is chairman of the Communist Party's Central Advisory Commission and arguably is second in influence only to Mr. Deng.

Well-placed Chinese officials said it was partly on Mr. Chen's advice that Mr. Deng appointed Mr. Jiang, a friend of the Chen family, to be party leader, replacing Zhao Ziyang.

On Tiananmen Square itself, more than 100,000 young people danced to celebrate the anniversary. The young people, who had been chosen carefully and had practiced for a month for the event, appeared more languid than either joyous or resentful.

Guerrillas Advance on Cambodian Town

By Michael Richardson
International Herald Tribune

SINGAPORE — Heavy fighting was reported Sunday in western Cambodia as non-Communist guerrillas said they were closing in on a key town five days after Vietnam announced its final military withdrawal from the country.

However, analysts were skeptical about assertions by the Khmer People's National Liberation Front to have made major advances against forces of the Phnom Penh government.

General Dien Del, local commander of the front, said: "It is probably the most intensive fighting in the last 10 years." The front is one of three armed groups in the resistance, the others being the Communist Khmer Rouge and a group led by Prince Norodom Sihanouk.

All trading points along a 50-kilometer (30-mile) stretch of the border between Thailand and Cambodia were closed, and several Thai villages near the frontier were partially evacuated when shells from the fighting landed nearby, military sources said.

A Western aid official, contacted

by telephone in Bangkok, said that recent reports of intensified fighting inside Cambodia were difficult to verify and prone to exaggeration.

"The Khmer Rouge and the other resistance factions want to convince the outside world that they are bent on capturing and holding territory, including major urban centers," he explained.

The Phnom Penh regime, the aid official added, "must show that it can drive the resistance back."

General Dien Del said the objective of the front was to capture Sisophon, an important logistics and supply center for troops of the

Phnom Penh government, who until Tuesday could rely on Vietnamese soldiers for direct military support.

Sisophon, about 30 kilometers from the Thai border, straddles a junction of the main road between the western capital of Battambang and the northern town of Siem Reap. Its fall to the resistance would be a major event in the war between the government and the guerrillas.

Vietnamese commanders said before pulling out of Cambodia that the Khmer Rouge and its two allies would try to capture several major towns in western Cambodia to pressure the government into a settlement that would give political power shared among the competing groups.

But the Vietnamese commanders said the Phnom Penh forces would be able to withstand these attacks.

Teng Mouli, a senior official of the front, told United Press International in the Thai border town of Aranyaprathet that the guerrillas had made rapid initial advances Saturday but had later encountered reinforcements brought in by the government.

Analysts said a more serious military threat to the Phnom Penh forces was likely to come from the Khmer Rouge, which last week stepped up attacks close to the gem-mining center of Pailin, southwest of Battambang.

They said that the Khmer Rouge was positioned to strike southeastward toward Phnom Penh from bases in the mountains running parallel to the border with Thailand.

Cubans Step Up Arrests For Black-Market Deals

HAVANA — Hundreds of Cubans and some foreigners, including students, have been arrested for trading on the black market in recent weeks, the official newspaper Granma reported.

The arrests are part of a general crackdown on corruption launched after a drug-trafficking trial in July that ended in the execution of four military and intelligence officers and long prison terms for 10 others.

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Nothing to Celebrate

No ball descended from the top of the Washington Monument at midnight Saturday night to celebrate the new fiscal year. There was nothing to celebrate.

The budget deficit in the old year had grown — again. The new year's budget is a sham. And problems are piling up for future years.

Despite much talk about the urgency of deficit reduction, President George Bush and Congress are joined in an unspoken conspiracy to procrastinate.

When final accounts are tallied, fiscal 1989 will show a deficit in the range of \$160 to \$170 billion. That is well over the supposedly firm but actually flimsy requirements of the Gramm-Rudman-Hollings budget law.

The law requires an official forecast early in the fiscal year that the deficit will shrink to a specified target amount. But the law does not require lawmakers to act on the actual results at the end of the year.

What about the new year, fiscal 1990? The deficit target is \$110 billion. Congress is so far behind in its work on this budget that it is impossible to forestall the final outcome. But it is certain that billions of alleged 1990 savings will be illusory — like outlays postponed to later years and one-shot revenue deals that can't be repeated.

The biggest single deception, and the gravest offense to sound budgeting, is the prospective cut in the tax on capital gains, which promises an immediate windfall of tax collections but will mean, over the long haul, less revenue and bigger deficits.

The deficit is now somewhat smaller than in the worst Reagan years, when there were four deficits in the \$200 billion range. But it has grown in each of the last two years, and the tricks employed to cut it in 1990 will only

swell it again in years to come. What is really saved by stalling 1990 payments to doctors and farmers until 1991? Nothing.

Thanks to a stubborn president who will not raise taxes and a Congress that he has managed to keep off balance, the master plan for fiscal 1990 is still in disarray.

Only one appropriations bill has cleared both houses for the president's signature. Temporary spending authority was rushed through last week to keep the government in business for the next 24 days.

But then what? Under Gramm-Rudman-Hollings, if the mid-October forecast for 1990 exceeds the target, across-the-board spending cutbacks must be made immediately.

It is expected that Budget Director Richard Darman will have to order cuts this time, roughly \$10 billion from the Pentagon and an equal amount from nondefense programs. Those would be real cuts.

But neither Congress nor the administration wants real cuts; they want monkey business. So Congress will keep working on the regular spending and revenue bills, laced with deceptive accounting to ease the pain. When these bills are enacted they will probably nullify all the October cuts. That is what happened two years ago, in similar chaos, and it is still an irresponsible way to govern.

Last spring the new Bush administration and the new congressional leadership agreed on the outlines of the 1990 budget, and talked hopefully about reaching a longer-term agreement this fall. The dream was a plan to resolve the deficit drama once and for all. The reality is a 1990 budget that is both sham and shambles, and long-term problems made worse by short-term chicanery.

—THE NEW YORK TIMES

Talking With Prague

Czechoslovakia's political system is still the old Stalinist model, rigid and repressive. But change is coming, driven by economic necessity. In anticipation of it, James Baker began talking last week with his Czechoslovak counterpart. He was the first American secretary of state in 11 years to do that, and he delivered the right message: that relations between the two countries will depend on Czechoslovakia's regard for its own citizens' rights.

Like most of the Communist countries, Czechoslovakia has vastly over-invested in heavy industry, most of it obsolete. Under a command economy, the country cannot get productivity or quality up. They are a people with a long industrial tradition who live by exporting, but no one can predict what will happen in their largest market, the Soviet Union. It is already becoming a less docile and complaisant customer for the kind of shoddy, old-fashioned manufactured goods that Czechoslovakia's factories — with a few important exceptions — have been producing. Perestroika has meant that many Soviet enterprises no longer have to import through the state trading organization but can go abroad to shop around for themselves. The result, Czechs say, is that Soviet buyers' demands for more sophisticated design and better quality are rising sharply. As for Western Europe, not many

Czechoslovak products can compete there.

The government fears that if it stays on its present course the country will slide slowly into poverty as an exporter merely of raw materials and low-value commodities. The only possible answer is a radical decentralization of the economy. At the beginning of next year Czechoslovakia's factories will no longer be told by the state planning commission what to make and how much. Instead they will be asked only how much they have sold. Precisely what they sell, and in what countries, will be up to them. Those that cannot sell enough to balance their books will, at least in theory, be allowed to fail.

The people running the state are not talking — not in public — about political change. But as good Marxists they are aware that they cannot decentralize the economy, increase trade contacts with the West and move toward greater economic freedom without having an impact on the political structure.

None of that promises the kind of developments now taking place in Poland and Hungary. But all of it will tend to push in a similar direction. Mr. Baker has chosen a good moment to tell Czechoslovakia that if and when its frozen regime begins to thaw, it can expect the same kind of reception from the West that two of its neighbors are getting.

—THE WASHINGTON POST

Hope for Hong Kong

Following the bloodbath in Tiananmen Square and the ascendancy of hard-liners in Beijing, British citizens in Hong Kong worried about what might happen to them after the scheduled 1997 reversion of the Crown Colony to Chinese control. Their anxiety threatened to turn into panic when Margaret Thatcher's government greeted their plight with indifference and racist declarations. Now comes a welcome sign that London is trying to devise a more honorable response.

As part of the British-Chinese agreement governing the transfer, Beijing is pledged to respect the colony's basic liberties for 50 years after it assumes control. But its crackdown and the official lies that accompanied it have provoked understandable doubts about the reliability of its commitments.

At the United Nations last week, Foreign Secretary John Major proposed steps that could help restore Hong Kong's confidence and remind China of the potential cost of reneging on its word. Mr. Major's proposals included expanding international rights of key Hong Kong citizens, promulgating a bill of democratic rights and accelerating the introduction of elected government.

Without providing details, he announced plans to give people "essential to Hong Kong's stability and prosperity" the right to move to Britain after China takes over. If that category is defined broadly enough, it

would encourage people with skills and a stake to take the chance on staying in Hong Kong, knowing that they have an insurance policy should things turn ugly. At the same time it would signal to Beijing that crude repression would chase away the very people China most wants to remain in Hong Kong after the transfer.

A bill of rights could spell out in more specific terms the current Hong Kong freedoms that China will be expected to honor. And steps toward an elected government assure Hong Kong's people legitimate political representation of their own for the political bargaining over the details of Hong Kong's future administration.

Britain cannot, by itself, militarily defend Hong Kong against China the way Margaret Thatcher defended the Falkland Islands against an Argentine military junta. But as the legally responsible authority there is plenty it can and should do to reinforce the future position of its subjects.

The adequacy of the program Mr. Major has announced will depend on details that have yet to be worked out. But it is a clear advance over the cramped excuse-making of this June. That moral abdication raised an outcry among people of conscience everywhere, an outcry that now appears to have produced some results.

—THE NEW YORK TIMES

Other Comment

Marcos: Better Near or Far?

After the death of Ferdinand Marcos, there are those who call for him to be buried in Philippine soil. The ex-president's cronies, missing the aura of their patron, no doubt want to resurrect his name. There are also others, including some of Mrs. Aquino's own supporters, who argue that interring Mr. Marcos in the land of his birth will help to further national unity. That is precisely the opposite of what will happen. President Aquino is aware of this and has said no to them. Many will bring further pressure to

bear on her to change her mind, but she must hold firm in her resolve. There will be inevitable protests [but] Mrs. Aquino knows better than to invite unnecessary unrest.

—THE STRAITS TIMES (Singapore)

A compromise with the Marcos family might be returned and instant burial. President Aquino has lost much of the popularity that greeted her accession to office in 1986. If she let the dictator's body back for quick burial, the politicians eager to replace her could not exploit potentially maelstrom circumstances.

—THE BALTIMORE SUN

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France.
Tel: (1) 46.37.93.00. Telex: Advertising: 613395; Circulation: 612832; Editorial: 612718; Production: 630698.
Director de la publication: Richard D. Simmons
Editor for Asia: Michael Richardson, 5 Canterbury Rd., Singapore 0511. Tel: 472-7768. Tlx: RS55928
Hong Kong: Dir. Asia, Rolf Krauss, 30 Gloucester Road, Hong Kong. Tel: 5-801015. Telex: 61170
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S.A. en capital de 1.200.000 F. RCS Nanterre B 732021126. Commission Paritaire No. 61337
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OPINION



Eastern Europe Needs a Map for the Trek Ahead

By Flora Lewis

PARIS — Immediate concerns are about the ability of reformers in the East to weather the transformations which are made possible by the internal crises in Poland and Hungary, and which are already pecking over the horizon in Czechoslovakia and East Germany.

No one can doubt that it is in the West's interest to help, even if how and how much have to be figured out. But it is important to start planning for the other side of this European watershed. These countries, and Europe as a whole, will have a much better chance of proceeding safely if they can have a better idea of where they are going, what kind of haven may await them.

Poles are eager to move, but they worry about being left alone between Germany only loosely tied to the West and the Soviet Union.

There is no chance this century of Eastern countries being swept into the embrace of the European Community, moving comfortably into a rambling "common European house."

Two historical precedents suggest a way to set sights. They are the Marshall Plan and what I call the Kossuth Plan.

The Marshall Plan, which enabled Western Europe to achieve prosperity and democracy in less than a generation after the vast destruction of World War II, was not only, not even mainly, about money. It injected a total of \$18 billion in U.S. loans and grants in some four years, but more important was how it was done.

The two key factors were: • A multiplying effect. The impact of the money was greatly increased because cooperation was required among participants. German coal was sent to French locomotive factories to renew Dutch or Italian railways. What was available could be quickly put to use and national bottlenecks could be broken. The experience taught the countries to work together and laid foundations for the Common Market.

• Controls. There was multinational supervision of how the money was spent, led by the United States but with full participation of all involved.

Local income from the sale of U.S. supplies was put into counterpart funds used for approved new projects.

The European Community has taken responsibility for coordinating international aid to Hungary and Poland. It can expand this role to a Marshall Plan-type approach that combines conversion from centrally planned to free market economies and help in restructuring to meet larger market opportunities. Western Europe must take the lead; it knows the ropes.

But Poland and Hungary together are not big enough, nor complementary enough, to provide the needed scope. The Kossuth Plan offers a possible framework.

Lajos Kossuth was the 19th century Hungarian statesman who urged turning the Austro-Hungarian empire into a Danubian confederation. It could have defused the nationality conflicts that led to World War I and helped to avoid the fragmentation and economic distress that led to World War II.

There are still natural affinities and old ties in Central Europe. Soviet domination never accommodated nationalisms — which are on the rise again — as cooperation did in Western Europe. This is a historical task still to be achieved, if the East is to come out of the Cold War without falling back into the devastating strains of the between-war period, or without reviving a German problem.

Although it now thinks of joining the EC, Austria would be interested in a Central European project. Yugoslavia would be delighted. It is possible that Switzerland and other members of the European Free Trade Association, orphaned when Britain decided to join instead of fight the Common Market, could be involved.

Sooner or later, Czechoslovakia and Romania would be unable to resist. East Germany could decide which way to go without provoking an intolerable imbalance.

This is not to suggest a new bloc

between the Soviets and the West. There would be no military dimension to a broad plan for economic regeneration. Comecon would be undermined, but it is falling apart anyway, and there are signs that Moscow is pleased that its allies are developing ties that reduce their burden on the Soviets and help them gain access to the world economy.

Whether Marshall Plan-type cooperation in Central Europe would lead to greater integration, on a regional basis or continent-wide, could be left to the future. In the meantime, such cooperation could provide the Soviet Union with assurances that it isn't about to face renewed East-West confrontation on its own borders if it less allies escape its control.

And it would comfort the yearning of those in between to prove that they are a part of Europe, no longer sealed off from historic partners. They have a tremendous, daunting task ahead. They need the encouragement of a map which goes beyond the horizon.

The New York Times

The East Road Passes Through Currency Reform

By Ralph Benko

WASHINGTON — There is a simple and well-precedented way for Poland and the Soviet Union to climb out of their tragic bankruptcy without causing inflation-driven political instability: currency reform.

The problem of the worthless ruble and zloty is central to getting the Soviet and Polish economies off the ground. The West does not have sufficient assets to bail them out, even if it wanted to. Both countries have the potential to prosper much more rapidly than they yet imagine, but such prosperity cannot be realized under the current monetary regime.

Because wages and enterprise earnings have been allowed to grow far more rapidly than the production of goods, families and businesses hold enormous stores of involuntary savings. This "ruble-zloty overhang"

could fuel an inflationary spiral if unleashed upon the marketplace. (Soviet and Polish leaders are right to be concerned with the inflation that introduction of market pricing would cause if this problem were not handled. In China during 1988-89, rampant inflation pressed Tiananmen Square.)

This is not the first time the world has been presented with this very problem. Monetary overhang was the condition of post-World War II Germany. An elegant solution was worked out to immediate beneficial effect — ironically, over the objections of the Soviet government of the time.

The late French economist Jacques Rueff wrote in 1953: "From 1945 to 1948, West Germany, her factories idle, her stores empty, lay prostrate in defeat. ... The suddenness of Germany's recovery was even more striking

than its scope. It was not spread out over months or even weeks, but had a specific date, June 21, 1948, the day the currency reform decreed by the commanders-in-chief of the three Western zones went into effect."

Mr. Rueff continued: "Only those who were on the spot can best witness to the literally instantaneous effect it had upon the reappearance of merchandise and customers in the stores. Overnight the shops were filled and the factories began to work again."

The problem with the ruble-zloty overhang is akin to that of the Reichsmark overhang. Everyone is a theoretical millionaire with nothing to buy, and that undermines the incentive to work. The currency reform carried out by the allies was a drastic reduction of this fictional "wealth" — the cancellation of about 93.5 percent of bank notes and bank balances.

Money claims and transferable debts were written down by about 90 percent of nominal value. The gold *pro quo* for this was the lifting of wage and price controls. This did not represent a hidden tax, as no value was transferred to the government.

Mr. Rueff described the mechanism by which reform triggered revival: "Yesterday a family could only be provided with sustenance by discovering ways to evade rationing and price control. A good deal of productive energy went into this search for goods. Today ... everyone knows that his sustenance or prosperity depends directly on what he produces."

The Soviets fought the allied efforts to promote a humane currency reform — indeed, they did much to aggravate the situation by issuing billions of fictitious "occupation marks." Fortunately, the Soviets did not prevail in the zones of Western authority. East Germany, needless to say, was kept out of the reform, and it has never since achieved its economic potential for this among other reasons.

The Soviet Union has paid dearly for its contempt for a sound money. Serious efforts at enterprise reform have been defeated by fictitious money. Trying to run an industrial economy on rubles or zlotys is like trying to ride a bicycle through a swamp.

The writer is general counsel to the economic forecasting firm of Bell Mueller Cannon, Inc. He contributed this comment to The Washington Post.

100, 75 AND 50 YEARS AGO

1889: Hong Kong Protest

HONG KONG — The Empress' "coup d'état" in Peking and the eclipse of the Reform party have together encouraged those exiled Chinese officials who are notoriously Anglophile to send to the throne a strong protest against the convention with England whereby territory was ceded to that country for the purpose of improving the defenses of Hong Kong. The object of the officials seems to be to instigate the Empress to refuse to carry out the terms of the convention and to send Chinese forces to resist the occupation of the ceded territory by the British authorities.

1914: Mail Suspended

ROME — The Italian government has decided to suspend all mail steamship services in the Adriatic, this decision involving the discontinuation of the regular service of steamers between Trieste and Venice. This cessation of navigation will

A Moment For Baker To Seize

By Anthony Lewis

BOSTON — Secretary of State James Baker is a political craftsman of uncommon toughness and skill. In his new role he may prefer the statesman's aura, but he has a chance now at a diplomatic prize that requires his political instincts.

The prize is to get negotiations going between Israel and the Palestinians. Given the bitter history of their conflict, that may sound like a remote possibility, but in fact it is not.

The two sides have never been so close, so tantalizingly close, to a face-to-face negotiation.

Prime Minister Yitzhak Shamir opened the way last April when he proposed that Israel negotiate interim arrangements for the occupied territories with representatives elected by Palestinians resident there. It was a limited offer, with Mr. Shamir reiterating his position that Israel will not give up the West Bank and Gaza. But it still had real significance.

Until then no Israeli government had offered to negotiate with a Palestinian body. (Israel had said that Palestinians could be members of a Jordanian or Egyptian delegation. Now the Shamir government was in effect recognizing that no one else can negotiate for the Palestinians.)

The P.L.O., which Mr. Shamir had barred from an open part in his scheme, reacted cautiously. But eventually Chairman Yasser Arafat agreed to a proposal by President Hosni Mubarak of Egypt that Palestinians not formally join the P.L.O. negotiate with Israel about how to hold the elections suggested by Mr. Shamir.

In the Mubarak plan lie the hopes and frustrations of this moment — and the challenge. It brings the two sides so close together that acceptance of it seems at hand. But the chance is very likely to be missed unless Mr. Baker plays a shrewd part.

President Mubarak tailored his proposal to make it sensitive to Israel. He did not call for a P.L.O. role at this stage, or for a Palestinian state in the end. He did not even mention return to Israel's 1967 borders.

Yet Prime Minister Shamir has reacted with what can only be called scorn. He said the discussions proposed by President Mubarak were "talks of surrender." He called the idea "tray" — not kosher.

Defense Minister Yitzhak Rabin, a key Labor Party figure in the coalition government, went to Cairo and endorsed the Mubarak proposal. But the reality is that nothing can happen unless Prime Minister Shamir is persuaded to go ahead.

President Mubarak understands that there is no way to go around Mr. Shamir. He telephoned the prime minister on Rosh Hashanah, eve to wish him a happy new year — and express the hope once again that Israel and a Palestinian delegation would meet.

In short, everything is up to Mr. Shamir. The situation holds a mirror up to his intentions. Was he serious when he offered to hold elections in the occupied territories and negotiate with the winners? Or was he just throwing something out to look good?

The challenge to Secretary Baker is to find a way of reaching the prime minister. What can he do? He can press for clear answers. He can make plain that the United States has a deep interest in seeing this moment of opportunity.

He can say: We are convinced that any differences over the Mubarak plan can easily be bridged if the parties have the will to agree. Do you?

Mr. Baker must be reluctant; he does not want to be seen as a man of politics now. But nothing is wrong with a U.S. leader using those skills in the Middle East. Henry Kissinger and Jimmy Carter used them to help produce some of the few breakthroughs there have been toward peace in the region. Let Baker be Baker.

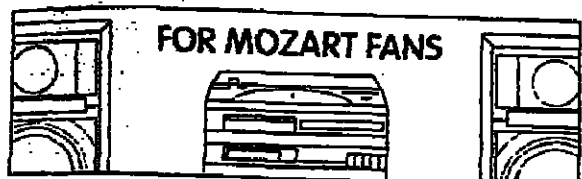
There are hopeful omens underneath the tensions of the Palestinian uprising and Israel's attempt to repress it. Elmd Yaad, Israel television's highly respected correspondent on Arab affairs, made the point in an article just published by the Washington Institute for Near East Policy.

"At least at the declarative level there has been significant movement on both sides," Mr. Yaari said. "Israel — despite its hope that elections will exclude the P.L.O. from the peace process — has recognized the Palestinians as the partner for an immediate agreement, while the P.L.O. has in fact recognized Israel. The P.L.O. is backing away from its goal of eliminating Israel, while Israel is reassessing its attempts to ignore Palestinian nationalism."

The time is right. The Shamir election proposal is right. But will Mr. Shamir take yes for an answer?

The New York Times

100, 75 AND 50 YEARS AGO



MONDAY, OCTOBER 2, 1989

Herald Tribune

BUSINESS/FINANCE



FOR ELECTRIC FANS
In Touch with Tomorrow
TOSHIBA

Page 7

EUROBONDS

Anemia in Dollar Sector Leads Market Slowdown

By CARL GEWIRTZ
International Herald Tribune

PARIS—Analysts can ponder whether it is merely static on the screen, a sign of middle age or an indication of something fundamentally wrong, but the Eurobond market is slowing down. The volume of business in the third quarter of this year fell almost 22 percent from the previous period to \$45.1 billion, according to data provided by Salomon Brothers.

A quarterly slowdown is not unusual. Activity a year ago shipped almost 16 percent from the second quarter.

More striking are the year-over-year comparisons. They show 5.4 percent growth in the quarter just ended compared with 14 percent in the second quarter.

The Japanese are running out of candidates for this market.

Looking especially anemic is the Eurodollar sector, the market's bread-and-butter business, traditionally accounting for more than half of total volume. This area showed virtually no growth from a year ago, up 0.5 percent, and a decline of 36 percent from the second quarter of this year. In the year-ago period, dollar business had expanded 17 percent.

Activity in the dollar sector totaled \$23 billion and was again concentrated in bonds bearing equity warrants. These amounted to \$11.5 billion, all of which was issued by Japanese companies.

For the year to date, \$47.7 billion of such equity-linked paper has been issued. The Japanese accounted for \$46.7 billion. Having raised \$37.4 billion through Eurodollar equity bonds during 1988, the Japanese appear to be running out of candidates to tap this market. Activity in the third quarter was about half the second quarter's record volume of \$22 billion.

Despite the slowdown, bonds with equity warrants accounted for most of the new business, as it did in the second quarter. Straight dollar bonds in the latest period amounted to \$9.2 billion. This is down 22 percent from the second quarter, which was down 20 percent from the first quarter.

The only dollar business that expanded in the third quarter was floating rate notes. New-issue volume of \$2.1 billion was up two-thirds from the previous three months and the heaviest since the market collapsed in 1987.

BONDS DENOMINATED in sterling were the distant second most active sector, with the equivalent of \$3.9 billion of new issues. Canadian dollar bonds were third at \$3.4 billion and Deutsche marks fourth at \$3.2 billion.

With the fireworks in the foreign-exchange market last week, business in the Eurobond market slowed as customers retreated to the sidelines waiting to see what happened to exchange rates as well as interest rates. Nevertheless, prices here held relatively stable compared to the decline registered in the New York market. As a result, spreads on Eurobonds narrowed relative to yields on U.S. government paper.

Yields on U.S. corporate Eurobonds narrowed by up to 15 basis points while the recent World Bank global bonds ended the week trading at 23 basis points over 10-year Treasury bonds. When the World Bank bonds were sold last month they were priced to yield 38 basis points over Treasury paper.

Among last week's issues, Malaysia's \$200 million issue of seven-year bonds found ready placement with Far East investors. The paper was attractively priced to yield just over a percentage-point more than comparably dated U.S. issues.

Also taken by Asian investors was \$150 million of seven-year bonds issued by Kansai International Airport Co., carrying the guarantee of Japan. The paper was issued to yield 58 basis points over U.S. government notes.

Four issues totaling 400 million European Currency Units were launched into an unresponsive market. Interest rates in the ECU's two largest components started moving up last week in anticipation that West Germany would raise its discount rate soon and that France would be obliged to follow.

Despite investor apathy, the ECU bonds went into the market. Bankers said that attractive swap rates made issuers eager to proceed. Of note was 100 million ECU of three-year paper carrying a coupon of 9 percent issued by Du Pont Co., its first offering not denominated in U.S. dollars.

But retail investors, traditional purchasers of ECU paper, had their eyes elsewhere — on the 12 1/2 percent coupon offered by Denmark on its four-year notes of 150 billion lire. It was the first lire Eurobond to be issued by a sovereign borrower.

In the floating-rate market, Christmas arrived early for holders of the \$500 million of perpetual floating-rate notes issued in 1984 by the financing subsidiary of National Westminster Bank PLC. Offered at par, the notes have been trading at a hefty discount since perpetual paper fell out of favor.

NatWest offered to redeem these perennials, trading at 94, for See EURO, Page 9

Currency Rates

Cross Rates										Sept. 29	
	S.	D.M.	F.F.	H.L.	Swi.	B.F.	S.P.	Yen			
Australia(a)	7.31	3.494	1.972	0.8337	2.5187	—	3.576	1.5742			
Argentina(b)	29.27	42.34	21.088	4.6339	16.6495	—	—	24.926			
Belgium	2.365	—	—	—	—	4.762	—	1.42			
Canada	1.3610	—	1.0552	0.3800	1.264.00	3.473	61.475	26.673			
Denmark	1.1453	2.0195	728.66	70.571	—	64.625	34.746	36.676			
France	1.0000	—	1.0000	1.0000	—	1.0000	—	1.0000			
Germany	4.5356	19.282	3.392	0.6467	3.0041	1.8153	3.7465	4.546			
Greece	1.0000	26.271	74.39	2.0000	—	64.16	—	—			
Holland	1.0000	1.671	—	0.3559	1.072	0.7019	4.0203	—	1.1686		
India	1.3822	4.8808	2.6355	7.0814	1.5675	3.2385	42.346	1.7818			
SEU	1.0000	0.7908	N.A.	0.5277	N.A.	0.7780	20.577	2.6264	13.9154		
Switzerland	1.0000	—	—	—	—	—	—	—	—		

Changes in London and New York rates since Sept. 28:
London: U.S. dollar down 0.0001; U.S. pound up 0.0001; U.S. franc up 0.0001; U.S. yen up 0.0001.
New York: U.S. dollar down 0.0001; U.S. pound up 0.0001; U.S. franc up 0.0001; U.S. yen up 0.0001.

Source: N.A. not available.

Dollar Values										Sept. 29	
	Per \$	Per \$	Per \$	Per \$	Per \$	Per \$	Per \$	Per \$			
Australia	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
Argentina	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
Belgium	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
Canada	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
Denmark	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
France	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
Germany	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
Greece	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
Holland	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
India	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
SEU	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			
Switzerland	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610	1.3610			

OTC Consolidated trading for week ended Friday. Sept. 29

[illegible][illegible]

Taiwan Stocks Face October Jitters

TAIPEI—Jittery Taiwan investors are wondering if stock prices will be hit again by the October course that has afflicted them in the past two years.

It would be set off this year by a capital-gains tax set for the year 1990, the prospect of election-year reforms.

Last year, the announcement of a capital-gains tax set for the year 1990, the prospect of election-year reforms.

Danny Chan, director of Fidelity International, a fund manager, said of the position this year: "The market is extremely volatile. Anything could make it swing one way or the other."

In the past week, the stock market hit its third consecutive record low Monday, but then proceeded to tumble 3.5 percent to end at 10,180.84 on Saturday.

"There's an underlying superstition that there may be a stock market crash in the last week of September or first week of October," said John Engle, president of Securities Pacific Hoare Govett Inc. in Taiwan. "It's a flavor in the air. The market has pulled back to test support. It could rebound, but if we break through 10,000 we'll be in some difficulty."

The immediate cause of the sell-off has been a change in stock-exchange rules designed to limit speculation.

On Friday, the stock exchange stopped reporting the number of unfilled orders for stocks that had reached their daily limit of a 5 percent movement. It will soon increase the daily limit to 7 percent and eventually remove it altogether.

Analysts said that under the old system, it was easy for big players to create a stampede effect and manipulate the market.

John Nelson, manager of the Taiwan research department of Jardine Fleming, said the new rule had an immediate effect.

"All speculative stocks were hit very hard and fell their daily limit," he said. "The risk factor for manipulators has increased a thousand times."

The new atmosphere in the market will certainly limit gains before the December parliamentary elections, said Peter Kurz, managing director of Baring Research (Taiwan) Ltd.

"The game is over. I can't see them taking the market much higher," he said. "The manipulators are selling out of the market."

Even if the good times are over, the Taiwan market will have had a superb year. The index is 109 percent higher than its January 5 start and turnover tops \$3 billion a day.

The market has touched almost every family on the island, with more than three million trading accounts in a country of 20 million people.

The government has been cautious in instituting reforms before the election, which will be the most open in Taiwan's history. The 1988 announcement of the tax sparked demonstrations and near-riots as well as a market collapse.

"Everyone thinks that once the elections are safely over the government will move forward with a lot of reforms," said Mr. Nelson. "And in Taiwan, like everywhere else, people discount bad news before it actually happens."

But the market's volatile history makes predictions risky.

intervention will be as effective now as it was last week.

The attack by the central banks began Sept. 15, when the dollar touched 2,040 DM and 149 yen, and gained dramatic momentum after last weekend's meeting in Washington of treasury ministers and central bankers of the Group of Seven.

The timing was especially fortuitous. The end of the third quarter in the calendar year is for most Japanese the close of the fiscal first

half. For corporate treasurers around the world it is a time of acute vulnerability, when they are least likely to do anything other than maximize profits and tidy up the shape of the balance sheet.

Faced with a declining dollar, treasurers had no room for maneuver. The temptation to sell and grab profits while still possible would have been great. As would the temptation to sell at a loss just to limit the red ink to be reported Sept. 29.

The proximity of the reporting date and the volatility of the market would also have inhibited treasurers from either trying to fight the downturn by buying dollars or joining the bandwagon by selling them.

But starting this week, with three full months before the next reporting date, treasurers were more likely to join the fray rather than run from it.

The end-September corporate reporting date could also have dis-

percentage of its sales continue to be among the highest in the industry.

Earnings grew at a rate of 32 percent per year to \$97 million in 1988 from \$32 million in 1984, while revenue grew at a rate of 17 percent annually, according to a Morgan Stanley report.

In the same years, production increased by 12 percent annually, compared with a 3 percent to 4 percent rate for the industry as a whole, according to Pirelli. After its recovery in automobile tires, Pirelli designed a high-quality truck tire it said was well received.

"That's one problem area that they saw as an opportunity, and it's going to be a real money-spinner for them in the next several years," said Mr. Wellesley of Morgan Stanley.

The company's prospects are good, analysts said, despite a projected softening in automobile sales because its strength is in high-performance products, one of the industry's fastest-growing segments.

Furthermore, "every time you move up-market," Enrico Pozzone, an analyst with Kleinwort Benson Securities in London, said, "you accelerate replacement." This, he said, boosts demand.

Wild demand for the currency included commercial demand for dollars, which is always strongest at quarterly reporting dates.

Thus, this week will give a truer measure of the forces for and against the dollar and provide a crucial test of the strength of the central banks and the currency traders.

Incredulous that the central banks would undertake such massive selling to drive the dollar down and then walk away allowing it to surge, foreign-exchange professionals are convinced that interest-rate changes are in the offing.

It is widely considered only a matter of time—either this Thursday or at its next regular meeting on Oct. 19—before the Bundesbank increases its key lending rates. The only question is whether this will be a rise of a half-point or a full percentage point. It is assumed that Japan will push up its money-market rates in unison.

But market professionals insist that a half-point increase is already fully anticipated and that a full percentage point increase by the Bundesbank would be needed to jolt a change in attitude.

Given the Bundesbank's reputation for not being forced into action by the market and its concern that tighter credit would stifle domestic demand and thus widen West Germany's already huge trade surplus with the rest of Europe, such a big increase in the discount and Lombard lending rates looks doubtful.

A half-point increase coupled with a cut in U.S. rates could convince the market that governments are serious about having the dollar trade at a lower level than recently.

But market professionals doubt that the Fed is any readier than the Bundesbank to allow foreign-exchange considerations to supplant domestic economic priorities in setting monetary policy. With Congress unable to meet its own budget-cutting targets, the Fed is unlikely to ease interest rates when inflation is still running at 4.5 percent.

Last week's developments in the U.S. money market enforced the view that the Fed is not inclined to use interest rates to fix the dollar's value.

In obvious response to the quarter-end demand for cash, the rate of overnight money, the federal funds rate, soared last week to a high of 9.75 percent before tumbling late Friday to 8.5 percent. A week earlier the rate had been 8.94 percent.

PIRELLI: Not Planning to Shift

(Continued from first finance page)

cash," said Mr. de Giorgi. "These financial results will reduce our debt and will position us appropriately for future growth or acquisitions."

He added, "If acquisition opportunities arise, not sensational but complementary ones in certain areas, for example in Europe or the Far East, we will undertake such nonorganic growth."

But he denied persistent rumors that the tire maker is seeking an alliance with Continental AG of West Germany, a similarly positioned company that owns General Tire Co. of the United States and holds about 6.6 percent of the world market. He also said Pirelli would not attempt a takeover of beleaguered Goodyear, a major industry observer consider out of its range and inconsistent with its conservative tradition.

In banking on technology rather than on size, Pirelli is not only working within its limited financial resources, but also following a tested formula. It recovered from a severe crisis in the 1970s by pioneering technically sophisticated tire models, and its research-and-development expenditures as a per-

centage of its sales continue to be among the highest in the industry.

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Amsterdam

Issues drifted lower last week in a sluggish market, as rising short-term interest rates and the falling dollar dampened sentiment. The CBS general index fell to 203.9 Friday from 209.5 the previous Friday.

Total turnover reached 7.34 billion guilders against 6.43 billion the week before.

Philips was an exception to the trend, holding steady, while DSM's stock issue was well received by the market.

The Kempen & Co. brokerage said investors would now take a cautious stand, awaiting developments in currencies and interest rates.

Frankfurt

Nervous West German stock markets posted losses on the week following substantial gains the previous week, amid persistent fears of an increase in key Bundesbank lending rates.

The DAX index dropped 54.3 points on the week to close Friday at 1,574.37, while the Commerzbank index shed 56.3 points to finish at 1,976.5. Volume on the eight exchanges dipped to 26.8 billion Deutsche marks from 27.25 billion.

In addition to interest-rate jitters, labor unrest, notably in the steel industry, dampened sentiment.

Auto stocks fell, with BMW losing 16.50 DM to 612.50 and Daimler-Benz off 47.30 to 747.50.

In electronics, Nixdorf was among the few winners, gaining 15.20 to finish Friday at 383.20 after a spokesman for Siemens AG said it would be interested in acquiring Nixdorf if it were for sale.

Hong Kong

Prices surged as overseas investors returned in force. The Hang Seng index gained 51.89 points to close at 2,758.25 Friday, after surging 93.54 points the previous week. The broader-based Hong Kong Index advanced 34.88 points to end at 1,818.57.

The market has now risen 5 percent in the past two weeks.

Average daily turnover rose to 1.14 billion Hong Kong dollars from 1.1 billion, as a spree of better-than-expected company results sparked demand.

A buying spree lifted the Hang Seng by 42.75 points on Thursday alone as overseas investors returned to the market for undervalued stocks.

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Dealers said the market is now on an uptrend and, barring a political upset in China, the Hang Seng could soon break through 2,800 points.

London

Pressure on the Bank of England to increase interest rates weighed heavily on sentiment throughout the week, sending the stock market back to the levels of late July. The FTSE 100-share index slipped through the psychological 2,300-point barrier, ending 70.8 points down on the week at 2,299.4.

The third-worst trade deficit on record, worsened Tuesday, put the market on guard, and a delayed downward reaction by the pound dented prices later in the week. On Thursday, fears of higher interest rates led to the market's biggest daily fall in more than six months.

BAT Industries stock advanced early in the week after the company announced restructuring proposals, but slipped Friday when the takeover plan maintained its decision to allow the Hovelt consortium's bid to lapse.

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Singapore

In another week of lackluster trading, the Straits Times industrial index fell 17.55 points to end at 1,375.25 Friday, while the S&P all-share index eased 3.55 points to 364.44.

Both foreign and local investors were cautious. Weekly turnover fell to 323.6 million shares from 488 million the week before.

DBS Ltd was the week's most active stock.

Tokyo

The Nikkei average established a fresh record, gaining 864.97 yen on the week to finish at 35,636.76 Friday. The broader-based TOPIX index posted a gain of 72.82 points to 2,702.22.

Average daily turnover rose to 918.57 million shares from 630.20 million the previous week, as investors flocked to the market in the wake of the yen's rise against the dollar.

"External factors are beginning to look bright," said Nippon Securities Co. president Masahiko Yuno, citing new-found stability in foreign-exchange markets and interest rates. He said that institutional investors are starting to return to the market.

Among gainers were light-electrical and supermarket shares. Canon rose to 1,910 yen from 1,820 the week before, while Maruetsu climbed from 2,350 to 2,600. However, Asahi Breweries fell to 2,240 yen from 2,400.

The market was depressed, and on low turnover the Credit Suisse index fell to 643.4 Friday from 656.4 a week earlier. The Swiss Bank Corp. indicator closed at 685.5 against 699.3.

However, analysts expect the market to recover this week, following gains on Wall Street and in Tokyo.

Among major stocks, Union Bank fell 75 francs from 357, Swiss Bank Corp. eased 4 to 357 and Neslé beaver declined 250 to 8,600.

Among industrial stocks, only Alusuisse managed a gain, rising 80 francs to 1,518.

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MONDAY SPORTS

U.S. Edges Japan To Gain Its First Dunhill Golf Title

ST. ANDREW'S, Scotland — Mark Calcavecchia won the only afternoon match that mattered Sunday, and the United States scored a 3½-2½ victory over Japan in the final round of the Dunhill Cup golf medal-match event.

Calcavecchia, in the first pairing for the afternoon matches, rushed out to a four-stroke lead after three holes and went on to a seven-shot victory, his second triumph of the day against Hajime Meshai.

That gave the United States an insurmountable 3½-2½ lead and secured the Americans' first title in the five-year history of the event.

Calcavecchia, the British Open champion, had 12 birdies and an eagle in his 36 holes over the Old Course at St. Andrews and played those two rounds in 133, 11 under par.

He beat Meshai, 67-68, in the morning matches, then scored six birdies on the front nine in the afternoon and matched the best round of the tournament in a 66-73 rout.

Calcavecchia's winning match was set up by Tom Kite's rally for a critical half-point in the morning half of the first 36-hole final the event has held.

Kite was two shots back with three holes to play against Naomichi Ozaki before the American began the move that, when the day was over, proved to be critical.

Kite hit a wedge to four feet for a birdie on the 16th to pull to within one and flipped a sand wedge shot to four feet for the birdie that tied it on the 18th. Kite and Ozaki each had a 4-under-par 68.

It produced a 2½-½ lead for the Americans at the break, and left them needing only one victory in the three afternoon matches to clinch the cup.

Calcavecchia provided that. He led by a minimum of two shots after each hole, was three ahead at the turn and was five in front with five holes to play.

His runaway triumph made meaningless the last two matches on the course, Kite versus Koichi Suzuki and Curtis Strange versus Ozaki.

And, from an American viewpoint, it was a good thing they didn't matter. Both Americans lost.

Suzuki defeated Kite 71-74, and Ozaki stopped Strange, the two-time U.S. Open champion, 69-71.

"After the Ryder Cup last week and five matches this week, we were just beat," Kite said.



Mark Calcavecchia provided the winning edge against Japan.

Semifinals Saturday
United States 3½, Ireland 1½
Mark Calcavecchia, U.S., 67, def. Philie Walton, Ireland, 71; Ronan Rafferty, Ireland, 71, def. Curtis Strydom, U.S., 72; Tom Kite, U.S., 71, def. Christy O'Connor Jr., Ireland, 71; sudden death playoff.
Japan 2, Scotland 1
Naomichi Ozaki, Japan, 76, def. Denis Durrant, England, 72; Koichi Suzuki, Japan, 68, def. Howard Clark, England, 70; Mark James, England, 71, def. Holme Medford, Japan, 73.

Sunday's Championship
Morning: United States 2½, Japan 1½, def. Ozaki, 68; Strone, 72, def. Suzuki, 75.
Afternoon: Japan 2, United States 1. Calcavecchia, 66, def. Meshai, 73; Suzuki, 71, def. Kite, 74; Ozaki, 69, def. Strone, 71. United States won 3½-2½.
Third Place
England 2, Ireland 1, Philie Walton, Ireland, 71, def. Durrant, 72; Clark, 73, def. Ronan Rafferty, Ireland, 73; James, 69, def. Christy O'Connor Jr., Ireland, 76.

Pitt Rallies to Tie West Virginia

Miami Kicks 4 Field Goals To Survive

West Virginia coach Don Nehlen and Pittsburgh coach Mike Gottfried agreed on one thing after Pittsburgh rallied from a 22-point deficit in the final 9:09 of play for a 31-31 tie Saturday night in Morgantown, West Virginia.

"It's unbelievable," Nehlen said. "Strange things happen in this

game, I guess. We had so many chances to win this game, it's unbelievable."

"When we were behind 31-9 in the fourth quarter, the dirt was hitting the coffin," said a relieved Gottfried. "I don't believe in moral victories, but to come back here in this place, it's a great feeling to come out of here without a loss."

Ed Franz kicked a 42-yard field goal as time expired to cap a frenzied Pitt comeback that saw the 10th-ranked Panthers rally against ninth-ranked West Virginia.

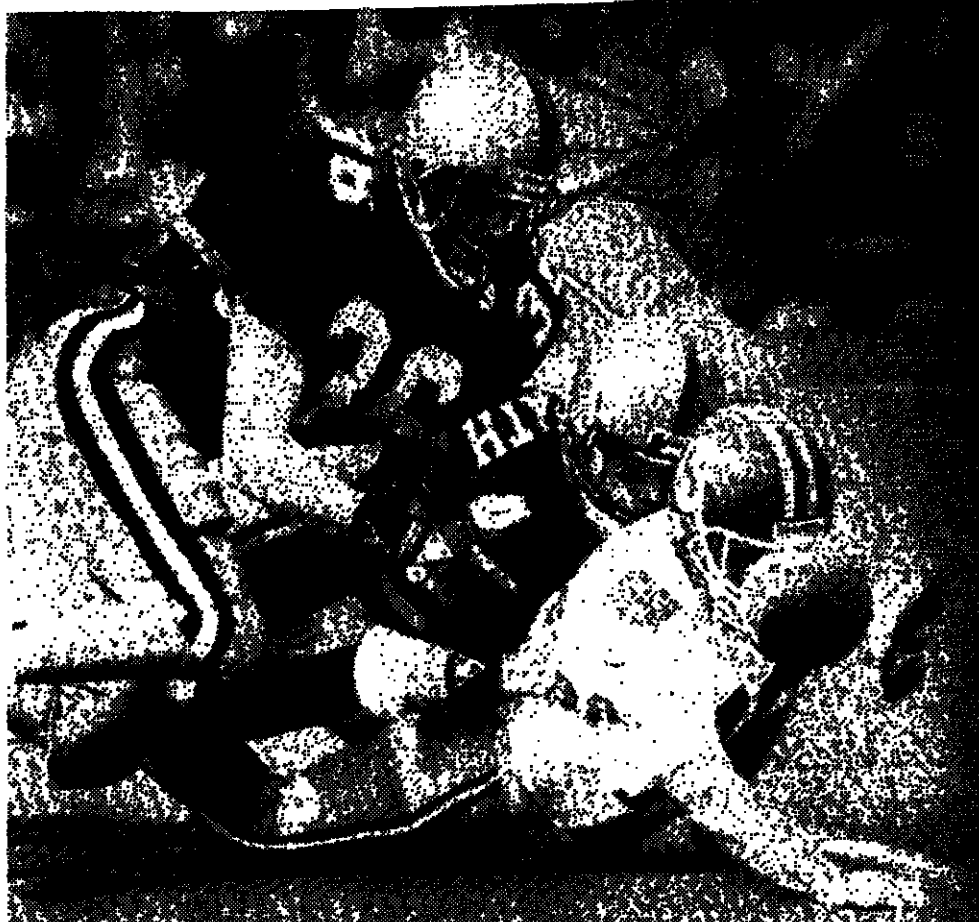
Major Harris threw a career-high four touchdowns passes and West Virginia capitalized on six Pitt turnovers to take the 31-9 lead late in the third quarter.

"To come back and win like this under these kind of conditions is really something," said quarterback Van Pelt, who completed 26 of 50 passes for 366 yards. "We kept telling ourselves it wasn't over. No one thought it was over."

No. 1 Notre Dame 40, Purdue 7: In West Lafayette, Indiana, Tony Rice passed for a career-high 270 yards and Anthony Johnson scored two touchdowns as the Irish crushed Purdue. Rice, better known as a running quarterback, had a career-high 12 completions in 15 attempts, but his only score was on a short run.

No. 2 Miami 26, Michigan State 28: In East Lansing, Michigan, Miami survived the loss of its starting quarterback and got four field goals from Carlos Huerta. The Hurricanes lost Craig Erickson when he broke a knuckle in his throwing hand in the second quarter. He will be in a cast for at least four weeks.

No. 3 Nebraska 35, Oregon State 7: In Lincoln, Nebraska, Gary Gidowski ran for a touchdown and passed for another to lead the



Harvard's David Haller fumbles after being tackled in a game against Army, which prevailed, 56-28.

Cornhuskers, Nebraska picked up three scores after Beaver turnovers.

No. 12 Tennessee 21, No. 4 Auburn 14: In Knoxville, Tennessee, Reggie Cobb, held to 12 yards rushing in a loss to Auburn last year, ran for a career-high 225 yards, including a 79-yard touchdown run.

No. 5 Colorado 45, No. 21 Washington 28: In Seattle, Colorado honored the memory of a teammate, then defeated Washington with the most points allowed a visitor at Husky Stadium in 60 years. Before the game, the Buffaloes players knelt in honor of quarterback Sal Amese, who died of stomach cancer a week earlier.

No. 6 Michigan 41, Maryland 21: In Ann Arbor, Michigan, Elvis Grbac completed his first five passes, two for touchdowns, and Michigan's ground game, which had averaged just 110 yards per game, rolled up 297 against the Terrapins.

Duke 21, No. 7 Clemson 17: In Durham, North Carolina, Duke's Billy Ray passed for two touchdowns, including a seven-yarder to Chris Brown with 3:18 left.

No. 8 Arkansas 39, Texas-El

Paso 7: In Little Rock, Arkansas, James Rouse, back as a starter after a year with a knee injury, scored two first-quarter touchdowns and Todd Wright had four field goals.

No. 11 Southern Cal 18, No. 19 Washington State 17: In Pullman, Washington, Todd Marinovich passed to Gary Welman for a two-point conversion with four seconds left for the Trojans' victory.

No. 13 Alabama 20, Vanderbilt 14: In Nashville, Tennessee, cornerback John Mangum halted a Vanderbilt comeback from a 20-0 deficit with an interception at the 16-yard line.

No. 14 Houston 65, Temple 7: In Houston, quarterback Andre Ware, directing college football's highest scoring offense, threw for a Southwest Conference record seven touchdowns, three to Emmanuel Hazard.

No. 15 North Carolina State 42, Kent State 22: In Raleigh, North Carolina, Joe Johnson's 60-yard interception return for a touchdown in the third quarter put life into sluggish North Carolina State and the Wolfpack scored on its next three possessions.

No. 16 Oklahoma 45, Kansas 14: In Lawrence, Kansas, Mike Gadsden ran for 172 yards and three touchdowns and freshman quarterback Hank Collins threw a 51-yard touchdown for the Sooners.

Oregon 16, No. 17 Arizona 10: In Eugene, Oregon, the Ducks bolted to a 13-0 lead in the first quarter and weathered a disastrous second period, when quarterback Bill Musgrave threw three interceptions and fumbled the ball away once.

No. 22 Texas A&M 31, Southern Mississippi 14: In College Station, Texas, Robert Wilson scored two touchdowns, and the Aggies, who lead the nation in turnover passes in the Southwest Conference, scored a big-play offense for most of the game.

South Carolina 24, No. 23 Georgia 20: In Athens, Georgia, Todd Ellis threw a 22-yard touchdown pass to Carl Platt late in the third period, triggering the Gamecocks' victory.

No. 24 Air Force 46, Colorado State 21: In Fort Collins, Colorado, quarterback Dee Downs rushed for 147 yards, including scoring runs of 38 and 41 yards.

SIDELINES

Hawks Capture Aussie Rules Title

MELBOURNE (AP) — The Hawthorn Hawks won their second straight Australian Rules football title — and fourth in seven years — by beating the Geelong Cats, 144-138, on Saturday.

Hawthorn kicked 21 goals and had 18 single points, while Geelong finished with 21 goals and 12 singles. Geelong forward Gary Ablett scored nine goals and became only the second person from the losing team to win the game's most valuable player award.

Baseball Threatens New League

NEW YORK (AP) — Major league baseball is threatening to sue the proposed new league and the players' union. In a set of letters sent Thursday to the new league's organizers and the Major League Baseball Players Association, baseball officials said "clubs will seek all appropriate injunctive and monetary relief against any person or entity involved in inducing a player to breach his contract."

The dispute is over players who are not free agents. The incipient Baseball League is attempting to field eight teams for the 1990 season. It would be the first circuit to challenge the National and American Leagues since the Federal League in 1915.

Pete Rose Hires a PR Specialist

CINCINNATI (AP) — Pete Rose, banned from baseball on Aug. 24 for allegedly gambling on baseball games, has taken a step toward reinstatement by hiring a public relations specialist.

"I am not trying to change Pete Rose's image," said Barbara Pinzka, who will direct Rose's dealings with the media. "But we can work toward a more accurate communication of that image and less of a focus on one aspect of his life."

Ms. Pinzka said her efforts are ultimately aimed at paving the way for Rose's return to baseball. His case is eligible for review in one year.

Mullin Signs 'Lifetime' NBA Contract

OAKLAND, California (AP) — Chris Mullin has signed a nine-year contract with the Golden State Warriors of the NBA, ending speculation that he might return home to play for the New York Knicks.

The Warriors announced the "lifetime contract" for the 6-foot-7 (2.01-meter) forward on Friday. Terms were not disclosed. Mullin, 26, averaged 26.5 points, 5.9 rebounds and 5.1 assists last year in his fourth season.

French Cyclist Sets 1-Hour Record

MEXICO CITY (AP) — French champion Jeanie Longo set a high-altitude world record in the 1-hour trial Sunday by bicycling 46,286 kilometers, breaking her women's record of 44,933 kilometers. She set the old mark in Colorado in 1987.

For the Record

Andrew Gase, an Australian whose shooting helped Seton Hall University climb to within a point of winning the U.S. national collegiate basketball championship last April, will sign a professional contract with the Seattle SuperSonics of the NBA.

Douglas Wakelin, of Kenya, the world's premier marathoner, cruised to an easy victory in the 25th edition of the world's largest cross country festival Sunday in Stockholm. Wakelin won the 30K Lidingsloppet in 1:36:10.

Police arrested 40 soccer fans who rampaged through the English town of Blackpool on Saturday. The fans fought running battles, wrecked cars and smashed windows. The fighting involved rival fans of a Third Division match between Blackpool and Birmingham City.

Dutch police arrested five Ajax Amsterdam soccer fans, including a 17-year-old boy thought responsible for hurling an iron bar at the Memphis Austria goalie in a UEFA Cup match last week, police said Sunday.

Boston Celtics star Larry Bird was married Saturday in a private ceremony in Terre Haute, Indiana, the manager of Bird's Terre Haute restaurant said. The three-time NBA most valuable player married Dinah Marting, who is from Indianapolis.

Swiss ski ace Pirmin Zurbriggen married his long-time girl friend, Monika Julien, on Saturday in Switzerland. Zurbriggen, 26, and Julien, 22, were married in a private Roman Catholic ceremony. He has won an Olympic gold medal and four world championships.

Five-time champion Ivan Lendl is the first player to qualify for the Masters tennis tournament, which will be held Nov. 28-Dec. 3 in New York City. The Masters is the year-end championship of the worldwide Nabisco Grand Prix. Only the top eight players qualify.

Rosemary Melo Nascimento, the woman who launched a signal flare onto the field during a World Cup qualifying match between Brazil and Chile, will appear nude in the Brazilian edition of Playboy magazine in mid-November, the managing editor, Carlos Maranhao, said. He would not reveal how much Nascimento was paid. The Sept. 3 match was suspended in the second half after Nascimento set off a signal flare that the Chileans said hit goalie Roberto Rojas.

United States hopes of reaching next year's World Cup finals in Italy have been dented by the loss of midfielder Hugo Perez. Perez, who plays for the Parisian club Red Star, was carried off with a groin strain on Friday. He will miss qualifying matches in Guatemala Oct. 8 and against El Salvador at St. Louis on Nov. 5.

Argentina's Guillermo Perez-Roldan beat Paolo Cane of Italy, 6-1, 6-4, in the Palermo Grand Prix tennis final Sunday.

Austria's Gerhard Berger, who trailed Senna from the start, brought his scarlet Ferrari home into second place, 27.051 seconds behind the Brazilian.

Quotable

Baseball scout Ellis Clary, on his playing career: "My coordination was so bad I had to pull my car off to the side of the road to blow my horn."

Senna, Pressing for Driving Title, Wins in Spain

JEREZ DE LA FRONTERA, Spain — Ayrton Senna of Brazil, the current world champion, drove a masterful race in his McLaren-Honda to win the Spanish Grand Prix on Sunday and keep alive his hopes of recapturing the Formula One crown.

Senna completed the 72 laps of the 4.22-kilometer (2.62-mile) Jerez circuit in one hour, 47 minutes and 48.264 seconds.

Austria's Gerhard Berger, who trailed Senna from the start, brought his scarlet Ferrari home into second place, 27.051 seconds behind the Brazilian.

Senna's French teammate and main rival for the world drivers' title, Alain Prost, came third, 53.788 seconds behind the winner.

Following Sunday's victory, Senna has 60 championship points, closing the gap on Prost, who still leads the tables with 76.

The Brazilian still has to win both the two remaining races in Japan and Australia to outprint Prost to the world championship.

Senna got a clean start and went ahead of Berger's red racer going into the first bend. And although the lanky Austrian virtually tailgated the McLaren-Honda for the first 30 laps, Senna never looked any-

thing but commanding on the way to his 20th Grand Prix victory. "Obviously I'm very happy, although I had a few gearbox and brake problems," Senna said. "I got the win, that was the goal."

France's Jean Alesi made an impressive showing and brought his Tyrrell-Ford home into fourth, ahead of Riccardo Patrese's Williams-Renault.

And the Lola-Lamborghini team secured its first ever championship point with Frenchman Philippe Alliot's sixth place.

Prost drove a safe race, lagging behind the dueling leaders and never making a stab at Berger, whose

Ferrari engine started smoking in the 52nd lap. But the Frenchman's third place was enough to keep the pressure on Senna.

Order of Finish
1. Ayrton Senna, Brazil, McLaren-Honda, one hour, 47 minutes 48.264 seconds, or 173.274 kilometers per hour; 2. Gerhard Berger, Austria, Ferrari, 1:48:32.51; 3. Alain Prost, France, McLaren-Honda 1:48:42.852; 4. Jean Alesi, France, Tyrrell-Ford 1:49:04.12; 5. Riccardo Patrese, Italy, Williams-Renault; 6. Philippe Alliot, France, Lola-Lamborghini; 7. Andrea de Cesaris, Italy, Dallara-Ford; 8. Derek Warwick, Britain, Arrows-Ford; 9. Jonathan Palmer, Britain, Tyrrell-Ford; 10. Philippe Streiff, Switzerland, Ligier.

1. Prost 26 points; 2. Senna 61; 3. Nigel Mansell, Britain, 34; 4. Patrese 30; 5. Thierry Boutsen, Belgium, 24; 6. Berger 21.

DENNIS THE MENACE



"These carrots could use some artificial flavoring."

JUMBLE

Unscramble these four anagrams to form the names of four ordinary words.

MEPOT
EATAB
TRAUGI
LESPEN

Print answer here:

Answers tomorrow

Answers: APPAY, GAHL, BABOY, YENUS

Answers: A man who claims to never make a mistake is a very busy man.

Answers: A bikini never attracts attention until someone does this.

Answers: Now arrange the circled letters to form the words, as they are given by the letters.

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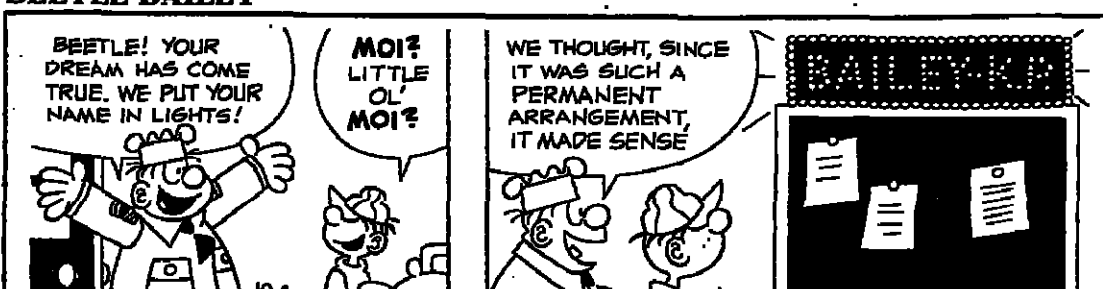
PEANUTS



BLONDIE



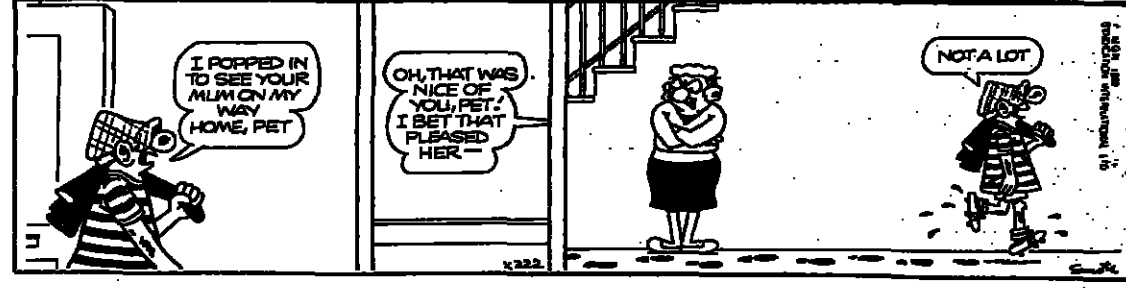
BEETLE BAILEY



DOONESBURY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



The Daily Source for International Investors.

SCOREBOARD

Baseball

Major League Standings

Team	W	L	Pct.	GB
AL East	7	1	.875	0
AL West	6	2	.750	1
NL East	5	3	.625	2
NL West	4	4	.500	3

National League

Team	W	L	Pct.	GB
AL East	7	1	.875	0
AL West	6	2	.750	1
NL East	5	3	.625	2
NL West	4	4	.500	3

Pro Football

Team	W	L	T	Pct.	GB
AFC East	4	2	0	.667	0
AFC West	3	3	0	.500	1
NFC East	2	4	0	.333	2
NFC West	1	5	0	.167	3

Baseball

Team	W	L	Pct.	GB
AL East	7	1	.875	0
AL West	6	2	.750	1
NL East	5	3	.625	2
NL West	4	4	.500	3

Pro Football

Team	W	L	T	Pct.	GB
AFC East	4	2	0	.667	0
AFC West	3	3	0	.500	1
NFC East	2	4	0	.333	2
NFC West	1	5	0	.167	3

Baseball

Team	W	L	Pct.	GB
AL East	7	1	.875	0
AL West	6	2	.750	1
NL East	5	3	.625	2
NL West	4	4	.500	3

MONDAY SPORTS

Redskins Beat Saints, 16-14, As a Good Kicker Turns Bad

The Associated Press

Chip Lohmiller kicked three field goals and Gerald Riggs scored a touchdown on a nine-yard run as the Washington Redskins rallied for a 16-14 victory over the Saints on Sunday in New Orleans.

Washington had a 2-0 win-loss record, and New Orleans is 1-3.

Morten Andersen, the most ac-

PRO FOOTBALL

curate kicker in National Football League history, missed two field goals for New Orleans, including a 26-yarder with 2:34 minutes to play. He also missed a 52-yard kick in the third quarter, giving him a 3-7 mark for the season, well off his 78 percent career mark.

Lohmiller kicked two of his field goals after Saints turnovers: a fumble by Eric Martin recovered by A.J. Johnson at the New Orleans 29-yard line on the second play of the game and a muffed punt by Derrick Shepard in the fourth quarter recovered by Dave Harbort on the Saints 18-yard line.

Vikings 17, Buccaneers 3: In Minneapolis, Tommy Kramer threw two touchdown passes in place of the injured Wade Wilson, and Minnesota's defense held Tampa Bay's Vinny Testaverde to 82 passing yards.

Leo Lewis, who was cut and brought back during training camp, caught a 28-yard touchdown pass and scored a punt 65 yards to set up a field goal and help the Vikings, 2-2, rebound from losses to Chicago and Pittsburgh.

For Lendl, the Thought Counts — and the Title

BORDEAUX — Ivan Lendl, a nondrinker, won 1,989 bottles of wine for beating Emilio Sanchez of Spain in straight sets in the final of the \$255,000 Bordeaux men's tennis grand prix on Sunday.

The Czechoslovak, who crushed Sanchez, 6-2, 6-2, not surprisingly seemed more interested in the \$45,000 winner's check than the cash of wine brought on court at the end of the match. Lendl, who last month married his long-standing girlfriend, Samantha Frankl, said, "I really enjoyed myself here. Unfortunately we don't drink so we haven't tasted the wine."

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Toronto	8	2	.800	0
Baltimore	7	3	.700	1
Boston	6	4	.600	2
Seattle	5	5	.500	3
New York	4	6	.400	4
Cleveland	3	7	.300	5
Chicago	2	8	.200	6

West Division

	W	L	Pct.	GB
Oakland	9	1	.900	0
Kansas City	8	2	.800	1
California	7	3	.700	2
Seattle	6	4	.600	3
San Diego	5	5	.500	4
Los Angeles	4	6	.400	5
Chicago	3	7	.300	6

NATIONAL LEAGUE

East Division

	W	L	Pct.	GB
Atlanta	9	1	.900	0
New York	8	2	.800	1
Philadelphia	7	3	.700	2
Pittsburgh	6	4	.600	3
St. Louis	5	5	.500	4
San Francisco	4	6	.400	5
Los Angeles	3	7	.300	6

West Division

	W	L	Pct.	GB
San Francisco	9	1	.900	0
San Diego	8	2	.800	1
Los Angeles	7	3	.700	2
San Diego	6	4	.600	3
San Francisco	5	5	.500	4
San Diego	4	6	.400	5
San Francisco	3	7	.300	6

FUTURE SCHEDULE

	W	L	Pct.	GB
Atlanta	9	1	.900	0
New York	8	2	.800	1
Philadelphia	7	3	.700	2
Pittsburgh	6	4	.600	3
St. Louis	5	5	.500	4
San Francisco	4	6	.400	5
Los Angeles	3	7	.300	6

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	W	L	Pct.	GB
Atlanta	9	1	.900	0
New York	8	2	.800	1
Philadelphia	7	3	.700	2
Pittsburgh	6	4	.600	3
St. Louis	5	5	.500	4
San Francisco	4	6	.400	5
Los Angeles	3	7	.300	6

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	W	L	Pct.	GB
Atlanta	9	1	.900	0
New York	8	2	.800	1
Philadelphia	7	3	.700	2
Pittsburgh	6	4	.600	3
St. Louis	5	5	.500	4
San Francisco	4	6	.400	5
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	W	L	Pct.	GB
Atlanta	9	1	.900	0
New York	8	2	.800	1
Philadelphia	7	3	.700	2
Pittsburgh	6	4	.600	3
St. Louis	5	5	.500	4
San Francisco	4	6	.400	5
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Philadelphia	7	3	.700	2
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Philadelphia	7	3	.700	2
Pittsburgh	6	4	.600	3
St. Louis	5	5	.500	4
San Francisco	4	6	.400	5
Los Angeles	3	7	.300	6

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	W	L	Pct.	GB
Atlanta	9	1	.900	0
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Philadelphia	7	3	.700	2
Pittsburgh	6	4	.600	3
St. Louis	5	5	.500	4
San Francisco	4	6	.400	5
Los Angeles	3	7	.300	6



The Blue Jays' Mookie Wilson gets a high-five salute from Tony Fernandez after scoring the winning run in Saturday's game.

Orioles, Too Late, Win Final Game at Toronto

The Associated Press

Francisco Melendez knocked in three runs, including a two-run single in Baltimore's five-run eighth inning that carried the Orioles to a 7-5 victory over the Toronto Blue Jays Sunday in Toronto.

SUNDAY BASEBALL

7-5 victory over the Toronto Blue Jays Sunday in Toronto.

Toronto, which clinched the division on Saturday, led 3-2 before Steve Finley, Rene Gonzalez and Stan Jefferson hit consecutive one-out singles to tie the score.

Melendez followed with a single to right, scoring Gonzalez and Jefferson, before Tim Lincecum and Chris Hoiles doubled for two more runs.

Ben McDonald, the top pick in the 1989 draft, picked up the victory.

Toronto scored two runs in the ninth on Rob Ducey's double.

Both teams gave most of their veteran players the day off. The Blue Jays rested all starters except for second baseman Nelson Lirio and Fred McGriff, the designated hitter.

The Orioles finished the season with only 86 errors and posted the highest fielding percentage (.986) in major league history, eclipsing the Minnesota Twins record set in 1988.

Red Sox 5, Brewers 1: In Boston, Luis Rivera hit a two-run home run and Dwight Evans reached the 100-

RBI mark for the third straight year as Boston took third place in the AL East.

Evans' run-scoring single in the eighth made him the only major league player to hit 100 runs in three seasons. Evans also is the only player to hit 20 homers the last nine seasons.

With their ninth victory in 11 games, the Red Sox finished with an 83-79 record. Fourth-place Milwaukee ended the season 81-81.

Phillies 5, Expos 3: In Philadelphia, rookie Pat Combs won his fourth game without a loss and

Dickie Thon hit a two-run homer.

Combs, the Phillies' top pick in the June 1988 draft, allowed nine hits and three runs in seven innings.

Tigers 5, Yankees 3: In New York, Frank Tanana won for the first time since Aug. 16 as the Detroit Tigers avoided equalling a team mark for losses.

The Tigers, who wound up last in the AL East for the first time since 1975, finished 59-103, one short of the team record of 104 losses set in 1952. The fifth-place Yankees finished 74-87, their worst record since 1967.

The Tigers took advantage of five Yankee errors in the first three innings to take a 4-0 lead. Mike Heath singled in a run in the second and two other runs scored on errors by rookie left fielder Marcus Lawton and pitcher Kevin Minamoto.

Astros 9, Reds 2: In Cincinnati, Glenn Davis hit a two-run homer and Jose Cano scattered seven hits for his first major-league victory.

Phillies 6, Expos 3: In Philadelphia, Dickie Thon's two-run triple sparked a three-run fourth.

Mets 7, Pirates 2: In Pittsburgh, Kevin McCarthy's bases-loaded single scored the go-ahead run and New York scored five times in the 11th to beat the Pirates.

FOOTBALL

Major College Scores

EAST

	W	L	Pct.	GB
Harvard	9	1	.900	0
Yale	8	2	.800	1
Cornell	7	3	.700	2
Stanford	6	4	.600	3
MIT	5	5	.500	4
Brandeis	4	6	.400	5
Brown	3	7	.300	6

WEST

	W	L	Pct.	GB
UCLA	9	1	.900	0
USC	8	2	.800	1
Washington	7	3	.700	2
Arizona	6	4	.600	3
Nebraska	5	5	.500	4
Oregon	4	6	.400	5
Utah	3	7	.300	6

SOUTH

	W	L	Pct.	GB
Alabama	9	1	.900	0
Georgia	8	2	.800	1
Florida	7	3	.700	2
South Carolina	6	4	.600	3
Arkansas	5	5	.500	4
Mississippi	4	6	.400	5
LSU	3	7	.300	6

MIDWEST

	W	L	Pct.	GB
Michigan	9	1	.900	0
Illinois	8	2	.800	1
Ohio State	7	3	.700	2
Wisconsin	6	4	.600	3
Indiana	5	5	.500	4
Purdue	4	6	.400	5
Iowa	3	7	.300	6

NATIONAL LEAGUE

	W	L	Pct.	GB
Atlanta	9	1	.900	0
New York	8	2	.800	1
Philadelphia	7	3	.700	2
Pittsburgh	6	4	.600	3
St. Louis	5	5	.500	4
San Francisco	4	6	.400	5
Los Angeles	3	7	.300	6

FUTURE SCHEDULE

	W	L
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